

LAND ECONOMICS

a quarterly journal of

PLANNING, HOUSING & PUBLIC UTILITIES



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Economic Growth: The San Diego Case.....FREDERICK L. RYAN

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Zoning and the Paradise Lost.....JAMES E. LEE

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WE BELIEVE THE GREAT STATE UNIVERSITY OF WISCONSIN SHOULD EVER
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AUGUST 1960

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VOLUME XXXVI
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Class, Race and Urban Renewal

By ROBERT C. WEAVER*

Introduction

URBAN renewal has opened Pandora's Box in several fields. It has occasioned a fresh look at slums; it has given rise to renewed discussion of racial balance in neighborhoods; it has inspired new thought and approaches relative to the racial and class composition of schools in the central city; and of course it has intensified research in the fields of housing, city planning, and municipal government.

Since one of the principal objectives of urban renewal is to attract more middle-class families back into the central city and slow down the exodus of middle-class families from the inlying areas, much of the current discussion about color and class is oriented around these goals. There is, however, a tendency to treat current problems as though they were unique and devoid of historical precedents. Actually, this is not only untrue but dangerously misleading. As Oscar Handlin has most recently pointed out, the flight of older, middle-class

families from proximity to the latest newcomers is as old as immigration. What is unique is not the human behavior but the physical limits of the city and the multiplicity of local governments.¹

Since in many American cities a principal wave of low-income migrants is composed of readily identifiable members of color minorities, there is a tendency to identify the problem as one of race alone.² This is inaccurate and unfortunate. Cities which have few non-white migrants are experiencing the same problems³—a fact suggesting that this is a class as well as a color phenomenon. Should further proof of this be required, the experiences of Chicago, Cleveland, Detroit, Cincinnati, and a score of other cities with Appalachian Mountain whites will provide convincing documentation.⁴

¹ Oscar Handlin, *The Newcomers* (Cambridge, Massachusetts: Harvard University Press, 1959), pp. 14-16, 30-5.

² See especially Morton Grodzins, *The Metropolitan Area as a Racial Problem* (Pittsburgh, Pennsylvania: University of Pittsburgh Press, 1958); and "Metropolitan Segregation," *Scientific American*, October 1957, pp. 33-41.

³ Robert C. Weaver, "Non-White Population Movements and Urban Ghettos," *Phylon*, Third Quarter (Fall), 1959, pp. 235-8.

⁴ For an interesting account of the Chicago experience, see Albert N. Votaw, "The Hillbillies Invade Chicago," *Harpers*, February 1958, pp. 64-7.

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Identification of the decline of central cities with the encroachment of non-whites (and in a few places Puerto Ricans) upon established middle-class neighborhoods reflects our consciousness of color. It does more. Such superficial analysis weakens our capacity to deal effectively with the problems of our cities. The color and class aspects of these problems are frequently intertwined but neither should be ignored. Any workable program must recognize both and learn to deal with each.

On the other hand, it would be sheer sophistry to deny that, under existing demographic and ecological changes, long-standing racial attitudes, and the current economic forces which operate in the housing market, the arrival of increasing numbers of non-white families may, and often does, lead to the departure of previous middle-class whites.⁶ This long recognized phenomenon has recently been expressed in terms of a "tipping point" theory, which says that there is in any neighborhood a point at which whites will move out when the proportion of non-whites reaches a certain size.⁷

Many factors are involved in the desertion of a neighborhood. First there is the economic climate. In a period of general prosperity transition is accelerated; the same occurs in a loose housing market. The location of the neighborhood involved is important, too. Factors tending to stabilize middle-class occupancy include proximity to, and identifica-

tion with, institutional facilities, such as in the area around a university or college or around long-established religious facilities.

Access of minority and low-income families to a formerly white middle-class neighborhood is not always a consequence of whites' desertion of an area in the face of the encroachment of new user groups. Often it results from vacancies caused by the movement of earlier residents and failure of other middle-class whites to replace the former occupants. The cause of the desertion of such neighborhoods is usually the attractiveness of other areas: they may be suburban subdivisions or, as in the case of the East Side of Manhattan, a new prestige location in the central city. Once the vacancy rate becomes high, as it did in New York City's West Side, owners and property managers are happy to substitute new user groups rather than suffer greater losses.

The Impact of Newcomers On the Housing Market

From early days, middle-class Americans have wanted distance between themselves and the newcomer; that desire has been accentuated by two recent developments—the rise of prestige-laden, single-class, homogeneous suburban areas and the identification of color with a large number of low-income migrants. The recent concern of Americans with the quality of education has, of course, occasioned increasing emphasis upon good schools.

As long as there was ample space within the city limits and no effective modes of rapid transportation, most of the outward movement of middle-class families occurred within the city proper. The streetcar, automobile, and bus changed the situation, opening for housing development large areas of virgin land

⁶ For an excellent account of this process, even when the incoming Negroes were middle-class, see Albert J. Mayer, "Russell Woods: Change Without Conflict," in Nathan Glazer and Davis McEntire, ed., *Studies in Housing and Minority Groups* (Berkeley, California: University of California Press, 1960) pp. 198-220. There are, however, in this article and Nathan Glazer's Introduction to the volume, unsupported assertions about the absence of racial prejudice on the part of the former Jewish residents.

⁷ Morton Grodzins, *op. cit.*, pp. 6-7. While the author of this concept is probably over-pessimistic due to his involvement with Chicago's experience, his is a useful idea.

removed from the central city. The fact that estates of the wealthy were already located on such lands augmented their appeal to medium-income groups intent on upward social mobility. Real estate operators, developers, and land speculators, readily joined the commuting railroad lines in selling the exclusiveness of these developments.⁷ This was the stage when the great impetus to Negro migration occurred during World War I. Low-income colored Americans from the South poured into many Northern cities, replacing, as the new source of unskilled and semiskilled labor, the earlier European immigrants who were no longer available during and after the hostilities. Not only were the newcomers mostly poor and ill-prepared for urban life, but they were also dark skinned. As the readily-identified descendants of slaves, they had the least amount of social prestige of any ethnic group. Race and color joined class in rendering them forbidden neighbors.

Middle-class whites, led by the real estate fraternity, frequently resorted to racial housing covenants and zoning to contain non-whites in a restricted area. Low-income whites, only slightly less undesirable in the eyes of the middle-class, sometimes used intimidation, violence, and threats to assert their Americanism. On the part of the former, this was a manifestation of class as well as racial prejudice; on the part of the latter it was primarily racial. Yet lower-class whites and Negroes frequently shared the same residential areas and faced the same disabilities of poor neighborhoods. Class was often more important than color in neighborhoods which failed to offer prestige or adequate protection and public services to any residents, regardless

of race.⁸ The early governmental policy of segregation in public housing subsequently served to accentuate color consciousness in low-cost housing at the same time that it reflected the strategic role of authority in establishing racial patterns.

World War II brought in a new stream of Negro, Mexican-American, and Puerto Rican migrants to the urban North and West. It also brought greater residential segregation. This too represented, first, resistance to the expansion of land space available to non-whites and, most recently, abandonment of segments of the central cities to them. Several factors played an important part in this. The federal government through the Federal Housing Administration had facilitated phenomenal expansion of suburban construction, and low down-payments and a longer period for mortgages had made a large part of this available to middle- and lower middle-income families. At the same time FHA accepted the concept of homogeneous neighborhoods and until 1947 the instrument of the racial restrictive housing covenants.⁹ Higher incomes during the war enabled a vast number of families to accumulate down payments and sustained prosperity facilitated their meeting monthly carrying charges. At the same time government housing policy made home ownership more attractive than rental¹⁰ and practically all new construction was in lily-white suburbs.

⁸ Findings of recent research challenge the oft-repeated assertion that the source as well as the center of anti-Negro prejudice and discrimination in this country is in the lower socio-economic classes. See Robert K. Merton, "Discrimination and the National Creed," in R. M. MacIver, ed., *Discrimination and National Welfare* (New York: Harper and Bros., 1949), p. 111; and National Committee on Segregation in the Nation's Capital, *Segregation in Washington* (Chicago, Illinois: The Committee, 1948), p. 38.

⁹ R. C. Weaver, *The Negro Ghetto* (New York: Harcourt, Brace & Co., 1948), pp. 71-3, 152-3.

¹⁰ Louis Winnick, *Rental Housing: Opportunities for Private Investment* (New York: McGraw-Hill Book Company, 1958), Chapter 3.

⁷ For an excellent description of this process, see Charles Abrams, *Forbidden Neighbors* (New York: Harper and Bros., 1955) Chapter XII.

Not only was it possible for the upper-middle class to desert the central city but many of lesser means—if they were white—could follow suit. Even the low-income white family could hope for homogeneity—either in the suburbs with a little more money or perhaps in the grey areas of the core city if the expansion of non-whites was contained. Racially homogeneous neighborhoods had achieved a new prestige and this was increasingly apparent in slums and blighted areas where residents sought to emulate dominant racial attitudes.

Rapid movement of whites to the suburbs was but a part of the population trend. For example, over 7,000,000 persons entered the suburbs between 1940 and 1950. While a large volume of long-term residents left the cities, an even larger number of individuals moved from non-urban areas directly to the suburbs. Meanwhile a much smaller number of whites moved into than moved out of central cities while many non-whites entered the in-lying areas. "The process of losing one net migrant to the suburbs actually was the end result of a larger process whereby for each two non-white persons moving into the central city about three white persons moved out."¹¹

These movements have brought interesting changes in the housing market. Throughout the North and West, non-whites have acquired a much larger number of housing units and frequently a more diversified and a better quality of housing. In the process they have expanded into many areas which were formerly all white. The Chicago experience of 1940-50 suggests the human components of this development. Those who initiated the movement were long-term rather than newer residents, result-

ing in no significant changes in socioeconomic characteristics;¹² and the first arrivals had had to "pay a premium rental, which they are able to finance only by using residential space very intensively, e.g., by doubling up families in the household or by including relatives or lodgers in the household."¹³

While it is true that only in a quite general sense has succession in Chicago followed a pattern of radial expansion of the Negro community outward from the center of the city, it is significant that:

"... within both the Negro and the white community, high-status groups tend to share residential areas and to be residentially segregated from low-status groups. Apparently, the selective forces which produce differentiation of residential areas in the urban community operate in somewhat the same way upon the Negro and the white population. This is also in line with the finding that patterns of interarea differentiation with respect to physical characteristics of the area and social and economic characteristics of the residents tend to be maintained under the impact of succession from white to Negro occupancy."¹⁴

These developments in Chicago, which are fairly typical of larger northern industrial centers, reflect the interaction of many events. Such expansion of housing accommodations for Negroes as took place was facilitated largely by the decline in the white population. It reflected a growing demand for shelter on the part of an expanding non-white population in which a significant number were able to pay higher rents and prices for housing and it enabled some whites to sell profitably and buy new suburban houses. Even where sales were not profitable the availability of Negro purchasers and renters greatly accelerated

¹¹ Otis Dudley and Beverly Duncan, *The Negro Population of Chicago*, (Chicago, Illinois: The University of Chicago Press, 1957), pp. 125, 191, 206, 223, 225.

¹² *Ibid.*, p. 236.

¹³ *Ibid.*, p. 298.

¹⁴ Donald J. Bogue, *Components of Population Change, 1940-50* (Miami, Ohio: Miami University, 1957), p. 34.

the liquidation of property in the central city and the acquisition of new homes elsewhere on the part of previous residents in the core areas. To a degree, this greater effective demand for housing on the part of non-whites sustained property values in many parts of the central city and accelerated the purchase of new homes by whites who were replaced by non-whites, many of whom paid higher prices than could otherwise have been secured.

Had there been less racial segregation in the suburbs, a larger number of non-whites would have joined whites in moving from the central cities to the suburbs and going directly to them rather than to the central cities. Even in the face of a most effective color bar, about one-third of a million Negroes did join whites in the 1940-50 trek to the suburbs. Most of those involved were in the South but there was a pronounced desire of Northern middle-class Negroes to escape from central cities,¹⁵ and there are indications that some of the colored migrants to the North avoided the central city and moved directly to older Negro settlements elsewhere. This seems to have occurred in the industrial cities of New Jersey and the larger cities in New York's Westchester County.

One upshot of residential segregation has been to contain most Negro middle-class families in the core cities.¹⁶ Another, and much more serious consequence for the cities has been the concentration of demand for housing on the part of the growing middle-class Negroes on certain city areas. This too has often sustained property values but it has tended to accelerate the exodus of middle-

class whites. Were middle-class Negroes able to compete freely in the total market, their volume in most neighborhoods would have been so slight as to have occasioned little concern. There would have been much less premium payment incident to initial non-white occupancy and white owners would have had less economic incentive to forsake attractive neighborhoods and homes. Even the real estate operators would have had slight impetus to engineer flight of middle-class whites since the principal source of effective demand—the middle-class Negro purchaser—would be more discriminating and less available for any one neighborhood.¹⁷

For the process described above to have taken place, there would have had to have been a much larger volume of low-priced housing available to non-whites in metropolitan areas. Without such a supply the sheer pressure of numbers occasioned the growth of non-white areas of concentration. In some instances this involved expansion of one or several major Negro ghettos, engulfing surrounding housing regardless of its price or suitability. In other instances it involved the development of new pockets of non-white residential concentration. Invariably, it occasioned over-crowding, undesirably high densities, and blight.

However, in a situation where the supply of low-cost housing available to non-whites is limited, the entrance of middle-income, non-white families into a

¹⁷ There can be no better illustration of the confusion between emotion and economics than the implications of this analysis. Without a color line, housing in certain areas of the central city would probably have fallen in value. This would have been accounted for in economic terms—architectural obsolescence, loss of neighborhood prestige, age of structure, competition of more desirable facilities and neighborhood location, and resulting weakness in demand for the affected housing. Under conditions of color concepts the experience in these areas is cited (and rightfully) as evidence that non-white occupancy does not necessarily adversely influence property values. See, Luigi Laurenti, *Property Values and Race* (Berkeley, California: University of California Press, 1960).

¹⁵ Handlin, *op. cit.*, pp. 125-31.

¹⁶ Actually, this is due to factors other than residential segregation, but it is primarily a consequence of the color line: see Weaver, "The Effect of Anti-Discrimination Legislation upon the FHA- and VA-Insured Housing Market in New York State," *Land Economics*, November 1955, pp. 305-7.

neighborhood and its subsequent desertion by whites has benefited the mass of colored home-seekers. For, had there been less turnover, there would have been less filtration. This, in turn, would have delayed the improvement in the quality of housing occupied by non-whites. In the present situation of enforced residential segregation in many segments of the housing market, rapid racial transition of desirable housing in parts of the central city has made a larger amount of physically good housing available to non-whites. It has also resulted in more intensive and often socially undesirable occupancy patterns in the areas recently accessible to non-whites and it has made it difficult to sustain the middle-class characteristics of the affected areas, even when higher-income non-whites have attempted to do so. Relatively high vacancy rates, as in Philadelphia and Cleveland, have accelerated racial transition in certain neighborhoods with the result of substantial upgrading in the quality of the occupied housing stock and instability in some middle-class housing areas.

Modern cities can absorb a large supply of low-income migrants without subjecting the newcomers to economic exploitation and greatly augmenting slums and blight only by building more low-rent housing on open sites, solving the problem of rehabilitation without excessive costs and providing a free housing market. The central city has a stake in open occupancy throughout the metropolitan area because it is necessary in order that the market may operate most efficiently. Under conditions of open occupancy a much smaller number of areas of middle-class housing need be threatened by inundation by non-whites and it is possible to make the most effective

use of the existing supply of housing—particularly the low-rent sector.¹⁸

Efforts to Attract Middle-Class Families to the Central City

It is against this background that urban renewal programs' efforts to attract and maintain middle-class families in the central city must operate. Regardless of any social, political, or moral considerations, the economics of the situation require concern for retention of white middle-class families in central cities because their numbers far exceed those among non-whites.¹⁹ In any given locality the problem has three manifestations: creation of new areas in which middle-class families will establish stable communities, rehabilitation or partial renewal of areas which will attract and hold middle-class families, and the arresting or preventing the desertion of middle-class families from existing areas of residence.

In the larger cities of the South new, segregated middle-class Negro communities have been developed. This has been possible for several reasons. In some instances it results from annexation of new areas by the central city after in-

¹⁸ This is the economic rationale for open-occupancy (fair housing) legislation. As in all non-discriminatory legislation, enactment of a law is but a first step. To be effective, such laws need implementation—and that not only involves enforcement but also positive action on the part of minority groups. Thus the Philadelphia Commission on Human Relations is encouraging Negroes to seek homes in all-white neighborhoods, saying: "To break the stubborn pattern of segregated housing many Negro citizens must have the courage to live in 'new' neighborhoods." *The New York Times*, March 6, 1960, p. 49.

¹⁹ "What the city needs is a core of upper-middle-class people to support its theatres and museums, its shops and its restaurants—even a Bohemia of sorts can be of help. For it is the people who like living in the city who make it an attraction to the visitors who don't. It is the city dwellers who support its style; without them there is nothing to come downtown to." William H. Whyte, Jr., "Are Cities Un-American?" *Fortune*, September 1957, pp. 124-25. Despite significant recent improvement in the economic status of non-whites and a significant increase in the number of middle-class Negroes in urban areas, the number of the latter is not now able, nor does it have a potential in the near future to provide a large or affluent enough population to perform the functions outlined above by Whyte.

formal agreements have been made concerning the color identification of land. Atlanta is a prime example.³⁰ New Orleans has had somewhat similar experience.³¹ In cities like Charlotte, Greensboro, and Winston-Salem, North Carolina, and Austin, Texas, availability of vacant land contiguous to, or in the path of, existing centers of Negro concentration has afforded sites for new, segregated FHA-insured housing. In Houston, Texas, where availability of good housing has made the owning of attractive homes an important source of status among Negroes, there has been an appreciable amount of new construction and a significant source of excellent middle-class housing in a good neighborhood available to Negroes during the last decade.

Clearly, by creation of new segregated areas in most of these cities and restriction of Negro encroachments upon middle-class white neighborhoods to a few locations in others, the impact of the non-white market has had but limited effect upon the desertion of the central city by middle-class whites. In Houston, where there seems to have been a rather loose housing market,³² Negro expansion into one good neighborhood served to sustain values and thereby accelerated movement of the older residents to the suburbs. However, some of those who sold to Negroes may have replaced other central city whites moving to the suburbs and

thereby supported property values elsewhere in the central city.

In Northern cities the establishment of all-Negro suburbs is usually impossible. This is due to the spatial distribution of non-whites³³ and rejection of segregated patterns by non-whites in the North.³⁴ The latter fact is, of course, supported by legislation: a score of northern states and cities have non-discrimination housing laws, and racial discrimination in urban renewal areas is banned in several states and many cities. In all of these and other cities, the capacity and willingness of Negroes to pay for better housing in middle-class neighborhoods has increased significantly during the last decade at the same time that the low-income non-white population has grown appreciably. Indeed, the growth of non-white urban populations has been much greater in border and northern cities than in their southern counterparts. Thus the pressure of Negroes for more housing has had greater impact in the North than in the South. Also, it has had less outlet via

³⁰ See R. C. Weaver, *The Negro Ghetto*, pp. 91, 138, 154-6.

³¹ "In certain ways, the North presents more problems for upper-income Negroes than the South, for here the problem is not only to get good housing—and if Atlanta can supply a Negro market for extensive Negro subdivisions, unquestionably this can also be done in northern cities—but to get good *unsegregated* housing." Glazer, "Introduction," Glazer and McEntire, *op. cit.*, p. 6. Of course, where there is the base of a Negro settlement which originally housed domestics, as on the North Shore of Chicago's suburbs or in cities and towns of Westchester County and Long Island or clusters of industrial workers in suburban towns and cities, growing Negro populations—mostly in ghettos—are developing in northern suburbs. Also, a small number of upper middle-income Negroes have bought homes outside areas of non-white concentration. Current developments suggest that, were the suburbs open to Negroes, they would attract a large segment of the still relatively small number of middle-income non-whites. At the same time, concentration of industry in fringe areas has already attracted a significant number of non-white workers. Many are now commuting from the core areas, but there are indications of a desire for, and a trend to, suburban living on their part. Competent studies suggest that there will be an outward movement of Negroes and Puerto Ricans in the New York City Metropolitan area in response to job opportunities. (Edgar M. Hoover and Raymond Vernon, *Anatomy of a Metropolis* (Cambridge, Massachusetts: Harvard University Press, 1959), pp. 212-13.

³² Robert A. Thompson, Hyman Lewis and Davis McEntire, "Atlanta and Birmingham: A Comparative Study in Negro Housing," Glazer and McEntire ed., *Studies in Housing and Minority Groups* (Berkeley, California: University of California Press, 1960), pp. 22-40; and "Civil Rights Official Lauds Atlanta's Gentleman's Agreement," *House and Home*, May 1959, p. 91. For a discussion of the implications of the use of new, segregated middle-class Negro housing in the South, see R. C. Weaver, "Southern Comfort: A Possible Misapplication of Federal Funds," *Journal of Intergroup Relations*, Fall 1960.

³³ Forrest E. LaViolette, "The Negro in New Orleans," Glazer and McEntire, *op. cit.*, pp. 124-30; also "Minority Housing," *House and Home*, April 1955, pp. 146-7.

³⁴ Jack E. Dodson, "Minority Group Housing in Two Texas Cities," Glazer and McEntire, *op. cit.*, pp. 101-9.

expansion into new, vacant areas. The consequence is that Negroes have expanded to a much greater degree into areas formerly occupied by whites in northern than in southern cities.

Efforts to attract and retain middle-class families in the central urban centers of the North and border states must recognize the pressure for housing occasioned by a growing Negro population. Some of these cities also face the arrival of large numbers of Appalachian Mountain whites, Puerto Ricans, and Mexicans. Since the Negro presents problems of class as well as color, concentration upon his impact is fruitful. Glazer, while minimizing the problem of the dark-skinned Puerto Ricans and Mexican-Americans, has set forth the peculiar disabilities of the Negro in American society:

"... it may seem far-fetched to consider the implications of a social situation in which Mexicans, Puerto Ricans, and Negroes show roughly the same social constitution as the rest of us. However, in the case of the Negroes such large middle-class groups are already developing. They will change greatly the whole character of anti-Negro prejudice in America. But—and this is the point of this last observation—the Negroes will still be a long way from taking up the status in American society of assimilated European ethnic groups. The Mexicans and Puerto Ricans, because of their physical characteristics, will find it easier to achieve this status."²¹

Survival of healthy, central cities requires recognition and solution of this problem. First, there needs to be an acceleration of the size of the middle-class among non-whites. Second, this will be achieved in large measure in proportion to the degree that the middle-class Negro is accepted as his immigrant prototype was accepted.²² Third, unless the achievement

of American norms of success on the part of Negroes is rewarded, as it has been among others who started at the bottom of the economic and social scale, there will be a loss of motivation (already apparent among Negroes) with consequences which are inimical to the economic, political, and cultural health of the central city. Fourth, such results would be tragic for the nation—and western democracy—in the world of the cold war and the emergence of Asian and African nationalism.

Northern cities, if they are to maintain a sound economic base, must strive to adjust to continuing in-migration of low-income Negroes, Puerto Ricans, Appalachian whites, and Mexicans. A first step in this direction is to understand the nature of cities and the historical precedents. A second step is to face up to the unique problems of the present migrant groups. These can be summarized in a single statement: All of certain ethnic groups, because of their physical identification, are assumed to be a threat to a middle-class neighborhood, regardless of the individual's or the family's income, education, or behavior. Centuries of slavery, generations of color discrimination, repeated instances of economic disadvantage via perpetuation of a color line, and a liberal amount of guilt have perpetuated color concepts. These are most apparent and effective in situations involving areas of living and schools.

Most liberals and many social scientists advocate heterogeneous neighborhoods. The majority of them would favor a community of homes in which low-, medium-, and upper-income groups lived; as a minimum, they would mix low- and medium-income people. Some have equally strong feelings about racial heterogeneity, affirming that in the modern world it behooves us in the United States to learn and demonstrate how a

²¹ Nathan Glazer, *op. cit.*, pp. 11-12. For a more realistic discussion of the Puerto Rican, see Handlin, *op. cit.*, pp. 59-60.

²² Oscar Handlin, *op. cit.*, pp. 78-80, 100, 103, 117-19.

multi-racial society can live together under democracy. Recently an outstanding land economist has dissented, questioning the innate superiority of multi-income neighborhoods.²⁷ In this paper no attempt will be made to pass moral, social, or political judgments on this issue; rather, the problem will be treated from the point of view of the survival of central cities. Our orientation will be primarily economic, recognizing that enforced racial residential segregation is under attack and in the process of change in the nation.

From this point of view, it must be recognized that the middle class in America is keenly conscious of the threat of lower-class encroachments. As was pointed out above this has long been a national characteristic, perhaps an inevitable consequence of a socially mobile people who are status-conscious. During the last quarter of a century, it has become more acute. This leads to the conclusion that many middle-class families will not long voluntarily remain in an area which they believe threatened by lower-class engulfment; few will mi-

grate to such areas. The second fact that has to be recognized is that the white middle class fears neighborhood deterioration on the entry of non-whites—an attitude that has partial roots in the history of decline in city services, lax enforcement of housing codes, and overcrowding in areas inhabited by non-whites. Actually, the degree of this fear is often a function of the speed and intensity of non-white penetration, although it is today an almost immediate reaction upon the first evidence of non-white entry.²⁸ Most white middle-class families will not long remain in a neighborhood where they are a racial minority. Should they fear this eventuality, they usually act so as to assure its fruition. On the other hand, there are many evidences of whites' accepting a few Negro neighbors, particularly if they are of comparable economic and social status.²⁹

²⁷ "It is not clear why economically heterogeneous neighborhoods are innately superior to the homogeneous. We do not really know whether economically diverse groups truly mix or merely live side by side. And casual observation indicates that many exclusively high-income or middle-income neighborhoods seem to have withstood neighborhood decline extremely well while many economically-mixed neighborhoods have proven quite vulnerable. The social gains of mixture and the social losses from homogeneity have yet to be demonstrated." (Louis Winnick, *Facts and Fictions in Urban Renewal*, p. 12. Mimeographed: a speech delivered before the Forum of the Philadelphia Housing Association, January 28, 1960). Most planners, however, believe that there are such social gains. A recent forum composed of citizens and professionals who met to consider what neighborhoods should be like "pleaded for variety—variety of housing types . . . available at a variety of prices and rentals so that a varied neighborhood population could result, all races, young and old, rich and poor, and people falling between these extremes". Ironically enough, zoning as currently practiced was considered a chief deterrent to such mixture. (Howard W. Hallman, "Citizens and Professionals Reconsider the Neighborhood," *Journal of the American Institute of Planners*, August 1959, p. 123). For a somewhat similar point of view, see Arthur L. Grey, Jr., "Los Angeles: Urban Prototype," *Land Economics*, August 1959, pp. 237-8.)

²⁸ This is a most complex phenomenon. Its manifestation varies from city to city, from time to time, and from area to area within a given city. For example, in the color-conscious Washington, D. C. of the present writer's youth, whites did not hesitate to enter Brookland (a suburb of the central city) despite the presence of a few middle-class Negro families. (R. C. Weaver, *The Negro Ghetto*, pp. 290-91.) As Negro incomes rose in the District of Columbia, an increasing number of middle-class colored families moved into Brookland but, until World War II, it remained a racially mixed area. By 1952, non-whites had penetrated adjoining Woodridge and Michigan Park, areas of white middle-class occupancy. The official organ of the Rhode Island Avenue Citizens' Association exhorted whites to remain in Woodridge. (Weaver, "Relative Status of the Housing of Negroes in the United States," *Journal of Negro Education*, Summer 1953, pp. 351-52). But the combined force of the pent-up non-white demand for good housing and the lure of the suburbs in surrounding Maryland and Virginia for whites was too much. Today Brookland is largely Negro, Woodridge and Michigan Park house many non-white families, and Brookland's Negroes are no longer almost exclusively middle-class. The new prestige area for Washington's middle-class Negro families is in the far Northwest, where a relatively few reside among white neighbors.

²⁹ See Gus Turberville, "The Negro Population of Duluth, Minnesota, 1950," *Sociology and Social Research*, March-April, 1952, pp. 231-38; Arnold M. Rose, Frank J. Atelsek and Laurence R. MacDonald, "Neighborhood Reactions to Isolated Negro Residents: An Alternative to Invasion and Succession," *American Sociological Review*, October 1953; Davis McEntire, "A Study of Racial Attitudes in Neighborhoods Infiltrated by Non-Whites," *Bay Area Real Estate Report* (San Francisco), Second Quarter 1955, pp. 126-29.

The Impact of Urban Renewal

Urban renewal activity concerned with attracting and holding middle-class households in the central city must be geared to creating neighborhoods which offer good schools, a reasonable degree of cleanliness, protection from violence, and physical attractiveness. They need not be single-class neighborhoods,³⁰ but there is a limit—a class tipping point—to which they can at the present be heterogeneous from a class point of view. Similarly, they can absorb some minority group families of middle-class attributes as well as some of lower-incomes.³¹ The class and racial mix will vary from new urban redevelopment sites, partial redevelopment and rehabilitation efforts, and conservation areas. The greatest flexibility is in the newly reconstructed redevelopment areas—if for no other reason because new areas and new houses have a snob appeal in themselves.

Proximity to an established blighted non-white slum complicates or deters white occupancy in redevelopment projects. Either large-scale demolition, or extra value for the housing dollar, or both are required to offset this circumstance. Chicago illustrates well this situation. The New York Life Insurance Company financed and constructed Lake Meadows, a large redevelopment, medium-cost rental project in the heart of what had been some of the worst of the city's Negro slums. Although it announced open occupancy from the start and, despite the scope of the redevelopment and its inherent desirable location in relation to downtown and in proximity to city-wide health and educational insti-

tutions, the attractive new facilities failed to appeal to a large number of white tenants.³² Intensive efforts and tangible evidences of a new neighborhood achieved 20 percent white occupancy and, currently, 25 percent of the tenants are white.

Prairie Shores was subsequently constructed on the site of a former Negro slum and on the edge of the Negro ghetto. But it was adjacent to Lake Meadows and the upgrading of the neighborhood was well under way. Indeed, the promotion of Prairie Shores describes it as "an entirely new community immediately adjacent to the Michael Reese Hospital campus." In the words of its developer—who incidentally evidenced his commitment to the project by selling his house in the suburbs and moving into Prairie Shores—"people just recognized a hell of a good buy when they saw it." The nature of this buy is indicated by the fact that apartments rented for an average of \$33 a room as against \$45 to \$65 for comparable new accommodations elsewhere in the city. And the first 342 units in the initial structure of this five-building development rented quickly. Seventy-seven percent of the occupants were white but most households were childless and none had children of high school age.³³ As of May 1960, two buildings in Prairie Shores had been completed. Both were fully rented and leases were being signed on a third which will be ready for occupancy in late summer. The racial mix remained about 80 percent white and, while few families with school-age chil-

³⁰ Those who insist on this will probably move to the suburbs anyway.

³¹ For an analysis of the experience of builders of interracial private developments during the last decade, see Eunice and George Grier, *Privately Developed Interracial Housing* (Berkeley, California: University of California Press, 1960).

³² Lake Meadows is located on a 100-acre site and rented initially from \$30 per room per month—about a quarter less than comparable accommodations elsewhere in the city. The first building of slightly less than 600 units attracted only about three percent white tenants. Subsequent special efforts appreciably increased white participation. (Eunice and George Grier, *op. cit.*, pp. 106-7).

³³ "Open Occupancy Builder Lands 77% White Tenants," *House and Home*, March 1959, p. 76.

dren were in occupancy, there were many with pre-school children.

With rare exceptions a small island of medium-cost redevelopment housing in a sea of non-white slums will not attract whites. This was the experience of the attractive—but not relatively competitively-priced—Longwood Redevelopment in Cleveland. An exception was the reasonably priced (single-family, sales house) and slow moving redevelopment project in Richmond, California.³⁴ On the other hand, redevelopment in an area which is fairly large and marked for total treatment can attract middle-class whites when a minority of non-whites are housed in it. This has been demonstrated in architecturally attractive Capitol Park Apartments of the Southwest Redevelopment in Washington, D. C. and in the Gratiot Redevelopment in Detroit. Both of these are fairly high-rent and that fact alone has greatly limited non-white participation.

Partial redevelopment and rehabilitation present more difficult problems. In the first place, frequently the old neighborhood which is the symbol of the threat of lower-class and minority families is not destroyed. Even if a new type of area is planned the physical evidences of the old remain. Where, as in the area around the University of Chicago, there is a sizeable amount of good housing and an enduring institutional base, the possibilities of success are enhanced. The urban renewal plan for the West Side of New York,³⁵ which also involved spot clearance and a great amount of rehabilitation, is also favorably located. On the north is a large middle-income redevelopment project partially occupied and nearing completion, on the east an attractive

predominantly upper middle-class residential strip on Central Park West, on the south a middle-class strip on 86th Street, and on the west a traffic artery.

In the Chicago and New York projects there has been great controversy as to how much public housing will be provided. In both instances the amount has been limited so that low-income families will be a definite minority of those in the areas. New York's West Side will also have a sizeable amount of lower medium-rent facilities or reasonably priced co-operatives, but most of the shelter will be priced so as to attract middle-income households. There is no question that both the New York and the Chicago neighborhoods will be predominantly middle class. Both will have some non-white, low-income families and some non-white, middle-income households. But they will be predominantly middle- and upper-income white communities.

Since conservation areas are subjected to the least amount of physical change, they share characteristics with most of the standard areas of existing housing. While the structures in such areas of the old city may be imposing in size and appearance, frequently they are architecturally obsolete. This may occasion new property uses—rooming houses, conversions to apartments of varying degrees of adequacy, or other forms of multi-family occupancy. Seldom are they suited for small families and their utilization by low-income households usually involves undesirable economic and social consequences.

In some instances the location of conversion areas (in terms of proximity to present concentrations of non-white families) inspires acute fear of minority inundation on the part of present residents. Thus, the possibility of panic selling is real and immediate upon the entrance of non-whites. There is another complicating

³⁴ "Pilot Project Survives FHA Red Tape, Starts Blighted Area on Road Back," *House and Home*, February 1959, p. 59.

³⁵ *Urban Renewal* (New York: New York City Planning Commission, undated) and *West Side Urban Renewal Area* (New York: Urban Renewal Board, 1959).

factor. Present residents of these areas have not elected to live with non-white neighbors. The latter have come in after the neighborhood has been established as a racially homogeneous one. Thus there may be a feeling on the part of old residents that they had lost the opportunity to exercise freedom of choice in selecting non-white neighbors. In this regard they differ from those who move into a new or existing bi-racial community.³⁶ The physical attributes of conservation areas and the process of change involved in establishing racial mixture complicate the process in such neighborhoods.

Thus conservation areas present perplexing problems to those who would attract and hold middle-class whites in the central city. At the outset it must be recognized that many parts of the core city are destined to be occupied by non-whites. Under present conditions they will provide the almost sole supply of housing for Negroes and other non-whites who seek better shelter and are achieving or have achieved sufficiently high earnings to pay for it. In addition, if the past is any indication of the future, many areas of this type will, should they lie in the path of the geographic expansion of existing racial ghettos, be occupied by house-hungry lower-income non-whites.

The degree to which low-income minority families enter these areas depends upon several things. If there is an alternative supply of good housing which

better fits the family needs and pocket-books of non-whites, the process will be delayed. If housing and occupancy standards are enforced—a thing that is unlikely unless there is an alternative supply³⁷—this too will slow up racial displacement. And of course the extent to which the central city becomes more attractive to whites will lessen the availability of such housing to non-whites. At the same time, however, the volume of migration of non-whites to urban centers will be a major factor in determining the demand for housing on their part. Finally, in proportion as we continue to concentrate upon clearing slums inhabited by non-whites the process of racial displacement will take place elsewhere in the city.

In recent years there has been a series of attempts on the part of middle-class neighborhoods to stay the departure of whites with the arrival of colored residents. To date, most if not all of these have been delaying tactics at best.³⁸ Perhaps if such efforts were a part of an over-all program involving new open-occupancy construction, action for spreading the non-white demand over a larger area of the central city, prevention of the engineering of panic selling by real estate operators, better enforcement of housing and occupancy codes and effective action

³⁶ Henry G. Stedler, *Racial Integration in Private Residential Neighborhoods in Connecticut* (Hartford, Connecticut: Connecticut Commission on Civil Rights, 1957) pp. 72-5. Of course, as has been observed, when one buys or rents in any neighborhood, one has no vested right in its composition. This was emphatically delineated by the 1948 decision of the Supreme Court which outlawed judicial enforcement of race restrictive housing covenants and in the rise of non-discrimination housing legislation. As a practical matter, however, many people do react to what they consider their freedom of choice in this regard and nothing in the law prevents families from moving away from neighbors they do not like.

³⁷ "For many years a high-class residential enclave around the University of Chicago, Hyde Park-Kenwood began developing pockets of slums, then found itself turning from a white to a Negro neighborhood. Concerted community action, with citizen participation on a scale perhaps unmatched in the nation, has done much to slow the drift toward blight. Moreover, the neighborhoods set out to do so on a deliberate interracial basis . . . Leaders of the effort found out how to make the city government help them enforce decent living standards. But continuing Negro pressure for more housing raised doubts as to whether this unique and pioneering effort could succeed in the face of overwhelming odds . . . By the end of 1955 physical conversion of apartments into cell-like slum structures . . . had been stopped cold . . . But conversion by use—moving three or four families into one apartment—had not been stopped." (Martin Millsbaugh and Gurney Breckenfeld, *The Human Side of Urban Renewal* (Baltimore, Maryland: Flight-Blight Inc., 1958), pp. 91 and 105-6.

³⁸ *Loc. cit.* See also Mayer, *op. cit.*

to open the suburbs to non-whites, such programs might succeed in maintaining the bi-racial character of some well-located and attractive neighborhoods.³⁹

The Role of Good Schools

Up to this point little has been said of family composition and its implications for middle-class residence in the central city. Most of the urban renewal projects mentioned are designed for small families and the most successful of them house few young people of school age. A recent analysis of the demand for renewal and redeveloped housing in downtown Philadelphia eliminates families with children as a source of occupants, suggesting that such families would gravitate to "the massive sections of slums and deterioration that lie beyond the central core."⁴⁰ There they would look for single-family houses or garden-type apartments.

Obviously, the needs and requirements of upper- and middle-income families without children are quite different from those who have youngsters. For the latter, schools are important. Among those of large incomes (and to some degree among the less prosperous) the possibility of using private schools may cause little concern for public educational facilities. In many northern cities parochial schools serve a similar purpose.⁴¹

³⁹ The same analysis applies to the use of quotas as a means of effecting and perpetuating interracial neighborhoods. Aside from the troublesome questions of their violation of fair housing laws, they do not offer permanent barriers against the economic pressure of a concentration of non-white demand on one or a few locations. (For a description of the case for quotas, see Oscar Cohen, "The Benign Quotas in Housing," *Phylon*, First Quarter (Spring) 1960, pp. 20-29). My analysis suggests that benign housing quotas are as temporary a means of stabilizing bi-racial areas as race restrictive housing covenants were to do the opposite. For a discussion of the latter point, see Weaver, *The Negro Ghetto*, Ch. XIII.

⁴⁰ Chester Rapkin and William G. Grigsby, *Residential Renewal in the Urban Core* (Philadelphia, Pennsylvania: University of Pennsylvania Press, 1960), p. 118.

⁴¹ "A significantly high percentage of purchasers in non-homogeneous 'mixed' areas have been found to be families who, if they had school-age children, were sending them to relatively homogeneous (Roman Catholic) schools." (*The Demand for Housing in the Eastwick Redevelopment Area*, Interim

Most knowledgeable observers consider schools a basic factor in attracting or holding middle-class families in the central city.⁴² Indeed in the Russel Woods area of Detroit, concern for education of children seemed to be the most important element motivating liberal families to leave their desirable homes.⁴³ This too is often as much of a class as a racial phenomenon. In Cleveland, for example, middle-class Negroes entered the comfortable homes in the outlying Glenville section of the central city after World War II. More recently, as large numbers of low-income non-whites have entered the area, some of the earlier Negro residents have moved a second time, entering the more exclusive and prestige-laden Shaker Heights section. Many of those involved explain their action on the basis of the superior schools in the latter location. On the other hand, in Russel Woods and elsewhere, the existence of synagogues and other institutions related to Jewish life and religion was a strong factor in holding the white residents. Provision of similar facilities in the suburbs facilitated subsequent departure of many of these families.⁴⁴

One student of the racial aspects of housing has proposed abandonment of the rule requiring children to attend a neighborhood public school and provision of special facilities for the middle-class oriented families. Thus, heterogeneity in residential patterns would be purchased at the cost of homogeneity in

Report, June 1956, Table XXIV, p. 42 (Philadelphia) cited by John W. Dyckman, "Comment on Glazer's School Proposals," *Journal of the American Institute of Planners*, November, 1959, footnote 2, p. 197.)

⁴² "Studies . . . provide confirmation for the general hypothesis that in certain large northern cities, choice of school is at least as sensitive as choice of residence to the pull of 'homogeneity,' and for some may play an important part in residential choice." (Dyckman, "Comment on Glazer's School Proposals," *op. cit.*, p. 197).

⁴³ Albert J. Mayer, "Russel Woods: Change Without Conflict," *op. cit.*, pp. 215-16, 219.

⁴⁴ *Ibid.*, pp. 212, 216, 219.

public schools.⁴⁵ It has been pointed out that special schools of the type suggested might well fail to preserve or facilitate heterogeneity in residential patterns, reinforcing "islands of upper-income white occupancy in an ethnic sea of educational proletarianization."⁴⁶ In light of the growing political power of non-whites in northern urban areas such a consequence would sow the seeds of its own destruction—and that of urban renewal in the process.

Public schools are a symbol and an instrument of democracy. While their programs can and should be tailored to meet the needs of students, the whole trend in the nation, as dramatized by the Supreme Court decision of May 1954, is away from racial segregation. This of course is not to say that every child receives the same training but it does call for no arbitrary assignment to schools on basis of color or class. It is compatible with an open system which, within a given school, assigns pupils to educational programs which meet their needs, provided that the system is fluid and based upon some universally applied criteria for assignment. The latter must be a reflection of ability and not social status. The track system now in operation in Washington, D. C. is one which seems to meet these requirements.

But there is still another requirement. It is a system which avoids the implications or consequences of separate identification by tracks. This has been accomplished in one school on the West Coast where there are several curricula for students of differing aptitudes. However, all students of a given grade have a common homeroom or common home-

rooms, regardless of differences in educational programs. Such arrangement is not only productive of identification with a common institution for all but it is also compatible with the concept of a democratic public school.⁴⁷

Just as most middle-class families, if they have an alternative, will not long remain in a neighborhood where they are a minority so they will not long send their children to a school where they are a minority. Middle-class whites with children will remain in the central city in large numbers only if they have access to a middle-class oriented, educationally satisfactory public school or can afford private or parochial schools. The degree of possible class and racial mix in a neighborhood is lessened, therefore, when school-age children are involved. It can be conceived however that as the number of stable bi-racial neighborhoods increases, tolerance for this type of living will grow. In light of the importance of prestige considerations in the selection of housing, it may well be that this process will be accelerated through the creation of attractive, newly constructed, racially mixed neighborhoods in the central city. The efficacy of the latter will be minimized as long as the suburbs remain essentially racially homogeneous.

Public schools in the central city cannot compete with their suburban prototypes on terms of the latter. The city public schools can never match the snob appeal of many suburban ones. Seldom can they assure the same degree of class or racial homogeneity nor can they equal the spaciousness of the surrounding campus. But they can be good schools. Indeed if they are specialized high schools concentrating on specific fields, they can be better schools. This is demonstrated

⁴⁵ Nathan Glazer, "The School as an Instrument in Planning," *Journal of the American Institute of Planners*, November 1959, pp. 191-6.

⁴⁶ J. W. Dykman, "Comment on Glazer's School Proposals," *op. cit.*, p. 196.

⁴⁷ See James B. Conant, *The American High School Today*, New York: McGraw-Hill Book Company, 1959, p. 74.

by certain technical schools, fashion schools, and performing arts high schools in New York City. Emphasis must be upon high scholastic standards, adequate discipline in the school, and exploitation of the opportunities for cultural enrichment which urban life offers. While these potentialities will not be given a chance to flower if middle-class white parents feel that low-income and minority group children are to be a large element in the student body, they are possible of achievement in a city school which is not homogeneous. Proof of this is the effort prestige private schools have made for years to attract and enroll children of poorer parents and from non-white households. The administrations and parents of many of these schools lament the fact that such enrollment is not larger.

At the same time the central city public school has a unique character to sell—a degree of class and racial heterogeneity which will teach young people to live with other children of varying backgrounds.⁴⁸ Many middle-class families are acutely aware of the importance of this in a democracy; in the world today it has even more pressing international implications. Unfortunately, realization of its desirability is far from accepting situations in which there is heterogeneity.⁴⁹ This is due largely to fear that some class and racial mixture will lead to an inevitable lowering of academic and discipline standards and an ultimate minority status for white children in the school. It is also manifestation of apprehension lest there may be

loss of social status in living in a predominantly non-white neighborhood or having one's children in a school with large Negro enrollment. If, however, the public school is geared primarily to the educational goals of middle-class families, it can and will attract and hold many middle-class white children even though some lower-income and middle-class minority pupils are included.

Another attraction which the school in the central city can have is to afford a richer and more meaningful education. This suggests delineation and exploitation of the educational advantages of the central city. The many cultural institutions located in the central city—its theatres, museums, concerts, and the like—are great assets. The school program should utilize fully and dramatically these facilities of the central city.

With all of this, there will be fear and apprehension on the part of middle-class parents. Over the long run, this can be met only as the living standards, opportunities, and assimilation of those least advantaged in the city are increased. Here too the public schools have a basic but not an exclusive role. In those areas where the schools serve large numbers of migrant, low-income, and minority families, programs need to be developed to accelerate their adjustment to urban life. Included among these are activities for remedial work, the discovery and nurture of talent, curriculum enrichment, reaching parents and involving them in community problems related to schools, and the preparation of teachers who understand the cultural problems involved.

All of these programs and activities will hold only some of the middle-class families now in the central cities. They will be more effective in attracting back to the city others who are exhausted or disillusioned with suburban life. But unless we begin now to deal with them,

⁴⁸ *Ibid.*, pp. 75-6.

⁴⁹ The inclination of liberal, middle-class white families to offer lip-service to the desirability of racial heterogeneity in schools results in some peculiar situations. Frequently, in an effort to establish the form of bi-racial student bodies, a few non-whites are either admitted or actively sought. This is most prevalent in private schools and the minority group students are "special" in more ways than the obvious. While potential guilt of liberal whites may be assuaged, the non-white symbol of integration may suffer from a forced and artificial gesture.

the trend of certain groups away from the city will continue—and probably at an accelerated rate. Certainly, in assessing the potential demand for medium-priced housing in the central city, an important variable is the success we have in creating and maintaining public schools which have an appeal to the families involved.

The Class and Race Mix of the City Tomorrow

This analysis suggests that in northern and border cities there can be a degree of class and racial mixture compatible with attracting and holding middle-class whites. In the expensive and upper medium-rental apartments and sales houses this presents few problems of planning. The income structure assures only token participation by non-whites and of course eliminates the low-income group. If the desirable mix (from the point of view of maintaining large numbers of medium-income families) involves limited participation of low-income households, this too can be achieved by redeveloping or renewing areas large enough to establish their own identity and limiting the amount of low-cost housing. This however implies the responsibility for providing in attractive locations an adequate supply of low-cost units and cessation of such widespread dislocation of families as has typified urban renewal to date.

It is at the level of medium-cost housing that real problems arise. The non-white and particularly the Negro housing market includes a growing number of families ready, willing, and able to purchase or rent such shelter. If the market is open to them in only a few locations at any one time the "tipping point" may soon be reached in any one or two developments. As was indicated above,

opening the suburbs to non-whites is one of the necessary prices for attracting and holding middle-income whites in the central city.¹⁰

Cessation of widespread dislocation of low-income families was suggested in the earlier discussion of high and upper-medium-cost housing. It was proposed there from the point of view of political expediency and equity. It is pertinent to the discussion of medium-cost housing for another reason. As long as large numbers of low-income families are uprooted by slum clearance they are a potential source for the displacement of middle-income families elsewhere in the community. This is especially true when they are colored and limited to a racially restricted market.

A final approach, applicable chiefly to conservation areas, is to perfect techniques for stabilizing racially transitional neighborhoods. To be effective they must be an element in a comprehensive program for expanding the supply of housing available to non-whites at all price levels. Also, it must be realized that there are some neighborhoods which, because of location in relation to the growth of areas of non-white concentration, will not respond to this treatment. This only illustrates that cities are not static institutions. Their physical facilities change and their people move. The problems of class and color can never be solved in any one neighborhood. Today they cannot be solved in the central city. They are problems of metropolitan areas.

¹⁰ This is a complex matter. It would operate as suggested above by (1) syphoning off some of the middle income demand for housing among non-whites from the central city; (2) removing the attraction of racial homogeneity from the suburbs; (3) reducing the snob appeal of racial exclusiveness since no area could assure it; (4) reducing the threat of "tipping" in any one racially open neighborhood.

If this analysis is valid, it has significance for the kind of cities we may expect in the next generation. While the size and squalor of slums may be decreased we shall not clear all of them. Poverty, rejection, and a certain amount of individual choice⁵¹ will dictate their perpetuation. Through better schools—in terms of plant, quality of teaching and effective programs to reach low-income families—the economic and social status of many slum residents can be raised. If we perfect and apply techniques to give the newcomers a feeling of belonging and provide meaningful assistance to the normal as opposed to the problem family, there can be greater occupational, educational and residential mobility among this group. For these approaches to work, our urban populations will have to be less color-conscious; and anti-discrimination housing legislation affecting the suburbs as well as central cities will be required. We need also to develop more tolerance to variations from established middle-class values and behavior.⁵²

American urban centers will not soon, if ever, become a total of class and racial heterogeneous neighborhoods. Realistic and courageous planning, constant progress toward open occupancy, continued economic advancement on the part of the disadvantaged, progress in dealing with transitional neighborhoods, an expanding supply of housing suited to the family needs and pocketbooks of low-income and lower medium income

households, good schools, and the development of techniques to upgrade at a reasonable cost much of the existing housing supply will enable our cities to develop and maintain neighborhoods with varying degrees of class and color heterogeneity. But most of these will be predominantly of one income level; some will be almost exclusively non-white; a few will have a small number of medium-income non-whites; and others will be integrated in varying degrees.

What of the central cities? They will survive. Indeed, their demise, largely on the same grounds cited as threatening them today, has been foretold many times in the past.⁵³ Of course, they will be different. For years to come they will have trouble attracting and holding middle-income white families with children. As long as there are private and parochial schools, some such households will remain. To the degree that redevelopment, renewal, and conserved neighborhoods, as well as areas which are left alone, become or continue to be identified as middle class, there will be middle-income whites with children in the central cities. Good public schools and other satisfactory public facilities will augment the number. Almost equally important will be the success we have in utilizing housing codes and other tools to raise the general level of housing, in developing realistic school programs to raise motivation and achievement in all schools, and in applying effective techniques for accelerating the occupational, residential, and social mobility of the growing number of newcomers who are entering and will continue to enter our cities.

⁵¹ John R. Seeley, "The Slum: Its Nature, Use, and Use," *Journal of the American Institute of Planners*, February 1959, pp. 7-14.

⁵² R. C. Weaver, "Human Values of Urban Life," *Proceedings of the Academy of Political Science*, June, 1960.

⁵³ Louis Winnick, *Facts and Fictions in Urban Renewal*, p. 18.

Economic Integration in the United Arab Republic: A Study in Resources Development

By RAGAEI EL MALLAKH*

IT HAS BEEN over two years since the establishment of the United Arab Republic. Yet a startled world has not overcome its initial reaction to the historic merger between Egypt and Syria, two nations as old as history itself.¹ One finds that, although the political aspects—particularly the viability of the union—have received wide attention, no serious attempt has been made to study adequately the economic implications of the union.²

The aim here is to discuss the economic aspects of the merger with emphasis on prospects for economic development rather than on prediction, which in the sphere of the ever changing Middle East is more often erroneous than accurate. First this analysis will deal with the economic measures taken by Egypt and Syria as independent republics before the Union and leading up to it. This will be followed by a comparative study of the structural economics of the Egyptian and Syrian regions of the new republic, showing the complementary and competitive effects of one upon the other. The third part will be concerned with the economic difficulties arising from the natural and artificial barriers between the two regions. Finally, reference will be made to the actual as well as the potential measures for economic development in the United Arab Republic.

Economic Measures Leading Toward Unification

The measures to unify the two countries economically have been taken gradually and quietly without the glaring publicity often given political declarations. However, these measures have cleared the pathway for the most significant movement for unity in the Middle East. Recent multilateral efforts for unity can be traced back to World War II with the formation of the Arab League in 1945 and even before that with the creation of the Middle East Supply Center in 1941.³ While measures taken by the Middle East Supply Center were designed to counteract war problems of supply and shipping through stimulating regional coordination, those of the Arab League seemed to be motivated by the desire to bring the Arab countries closer and to strengthen their age-old ties. Although the original Arab League charter made provisions for political, economic, and social interchange among the Arab countries, action was slow and it was not until 1952 that any treaty of specific economic nature was concluded.⁴ In 1953 an agreement was reached among the member countries to encourage the transfer of private investment funds in the Arab World. Under this agreement the contracting parties pledged themselves to allow their nationals to participate in economic development plans in other member states of the League. The capital transferred

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¹ S. H. Longrigg, "The Groupings Among the Arab States," *International Affairs*, July 1958, p. 305.

² The question of political unification has been the subject of ample discussion of late, especially in the book by Fayez A. Sayegh, *Arab Unity* (New York: The Devin-Adair Company, 1958), pp. 179-189.

³ For further details concerning the functions of the middle East Supply Center see Martin W. Wilmington, "The Middle East Supply Center: A Reappraisal," *The Middle East Journal* (Washington, D. C.), Spring 1953, pp. 146-148.

⁴ League of Arab States Treaty Series: *Agreements and Conventions* (Cairo, Egypt: 1956).

from one member state to another would not be subject to any levy or tax. Other measures of a collective nature under the auspices of the League included preferential trade agreements among member states.⁶ Provision was made for a 25-percent tariff reduction on certain industrial imports among the member states. This percentage was later subject to change in the direction of encouraging the exchange of goods and materials among Arab countries. Often the effectiveness of such liberal measures had to be postponed until political differences among newly independent and sovereignty-sensitive states were resolved.⁶

In order to achieve closer ties than those reached by multilateral measures adopted within the collective framework of the Arab League, bilateral agreements were sought between the republics of Syria and Egypt. The most significant agreement between the two republics was an economic union reached in September 1957. This agreement provided for the freedom of mobility of physical and human resources. It allowed freedom of transactions, exchange of residence, of employment and of ownership. The two parties agreed to work for the unification of custom duties and export and import policies, and to co-ordinate the policies with respect to agriculture and industry. Also, co-ordinated monetary policies and consolidated methods of statistical classification were to be adopted. At the same time it was agreed that an Egyptian-Syrian committee be created to recommend practical measures for insuring complete economic unity. The committee was to report to both governments within three months of the date of the

agreement. These bilateral measures and the events which followed them in less than a year seem to have been more effective in bringing about the actual unity than were the multilateral actions of the preceding decade. This development reached its political climax in the formation of the United Arab Republic. It is unrealistic to deemphasize the non-economic, particularly the political motives in bringing about this national union or to believe that the declaration of the establishment of the United Arab Republic has accomplished complete economic unity between its two regions. Yet, precisely because of the political success economic co-ordination became more easily accomplished and appreciably more desired. Rigorous steps have been taken since then to co-ordinate economic conditions between the Egyptian and Syrian regions of the new republic. In September 1958 the ministers of Economy and Commerce of the United Arab Republic agreed to exempt from custom duties all goods of local origin imported from either region with few exceptions.⁷ At the same time, import licensing requirements with respect to intra United Arab Republic (hereinafter referred to as U.A.R.) trade was abolished. Agreement was also reached providing for all payments between the Egyptian and Syrian Regions to be effected through an account in Egyptian pounds at the National Bank of Egypt, to be called the Syrian Region Account. Net balances settled annually are not limited and will bear no interest charge.⁸

On the fiscal front economic unity was reflected in the adoption of a U.A.R. Central Budget for the fiscal year be-

⁶ For the full text see "Convention for Facilitating Trade Exchange and Regulating Transit Trade Between States of the Arab League," *Basic Documents of the League of Arab States* (New York: Arab Information Center, 1955), pp. 27-35.

⁷ F. A. Sayegh, *op. cit.*, pp. 168-169.

⁸ Commodities remaining subject to full payment of duties included tobacco, sugar, and salt. Exemptions of 50 percent of the regular duties were allowed on imports of synthetic yarns and fabrics, glass, leather products, and carbonated beverages.

⁹ International Monetary Fund, *International Financial News Survey* (Washington, D. C.), November 7, 1958.

ginning July 1, 1958. This Central Budget is to be financed by contributions from the budgets of the Egyptian and Syrian Regions.⁹ Expenditures of the new budget are to cover the costs of the Presidency, the National Assembly, the Ministry of Foreign Affairs and the Armed Forces. The Ministry of Economy and the Ministry of Education were later added as unified departments for both regions.

Equally as important in the cementing of economic ties as the reorganization of departmental machinery and budgetary matters was the introduction of land reform laws in the Syrian Region. The new laws closely parallel the decree issued in the early days of the Egyptian Revolution and aim at closing some of the social and economic gaps which may have existed because of the disparities and differences between the land tenure systems in both regions.

In external economic relations single actions by Egypt or by Syria were abandoned in favor of a unified line of action to be adopted by the U.A.R. and worked out under its name. Already negotiations have been entered and agreements have been concluded concerning financial and commercial matters between the U.A.R. as a single sovereign power and other powers such as West Germany, Japan and France. A further measure of unification which was taken to solidify the U.A.R.'s position in the world's economic sphere was the act of applying to and becoming a member of the International Monetary Fund on July 16, 1958. Thus the U.A.R. was formally recognized as being economically and financially one country with one quota to meet for the Fund.

⁹ At the time of the formation of the Central Budget, the Syrian Budget was shifted from a calendar year basis to a July-June basis.

Supplementary and Competitive Aspects

The foregoing measures, important as they are in making the economic union between Egypt and Syria workable, left many difficulties unsolved and many questions unanswered. The process of unification itself is still largely an economic blueprint, broadly projected in bureaucratic measures and reflected in the activities of the multitude of official agencies. Meanwhile the traditional life among the majority of the populations in both regions goes on not undisturbed but basically on the same pre-union pattern. But measures taken over a short period of time to unify the economies of any two nations, no matter how closely related, are not expected to change the age-old economic structure overnight and to deal adequately with the questions left unanswered concerning the competitive and supplementary aspects of the two regions.

It is difficult to discern at first glance any important supplementary characteristics in the economies of Egypt and Syria. If they have anything of a complementary nature it seems to be overshadowed and submerged by the seeming similarity of their structural economy. Both have agriculturally-oriented economies with similar crops and similar problems. Both regions depend substantially on cotton as a main crop. Another initially observable feature which seems to be shared by both regions is industrialization, either contemplated or in progress during the last decade or so.

On second glance some of the competitive characteristics of both regions seem either to be fading away into the background or to be lacking in real evidence. Furthermore, to assume that industrialization would result in competitive rather than supplementary results seems to be a common and question-

able generalization, often stated and hardly examined with respect to most underdeveloped areas, including the one under question.

Because of the apparent difficulties involved in recognizing and evaluating what is competitive and what is supplementary, particularly in agriculture where they seem to be inextricably mingled, and because any strength of unity depends ultimately upon the fullest utilization of economic differences existing in both regions for the common interest, an inquiry into the structural background of both economies becomes essential. But any study of the economic structure of both regions, having the purpose of distinguishing between similarities and differences, has to take into consideration not only the differences in natural resources but the allocation of these resources.¹⁰

Thus this study of the economic structure may start with a reference to the population-area question in both regions of the Republic. According to the latest official estimates the Syrian Region had a population of 4,025,000 living on an area of 72,234 square miles, of which almost one fourth or 11.5 million feddans¹¹ are under cultivation, thus making a ratio of 2.9 feddans per person. On the other hand the Egyptian Region with a relatively large area of 386,198 square miles (or about twice the size of the state of California) uses only four percent of that area, or six million feddans of cultivated land, to sustain a population of over 24 million persons. The man-land ratio of .25 acre to each person in the Egyptian Region as compared to that of the Syrian Region indicates that,

theoretically speaking at least, there is a possibility of shifting the population from an overcrowded area to a more roomy area. While this possibility may prove to be complicated in terms of plans of economic development, it exists and it emphasizes an important supplementary aspect.

In the area of natural resources agricultural production will be dealt with first. Cotton, as previously indicated, is by far the most important and most valuable industrial crop in the Egyptian Region. The Egyptian soil and climate are particularly ideal for high-grade cotton growing. Since the time of the Civil War in the United States when European demand for non-American cotton was stimulated, Egypt has specialized in that vital crop, holding a comparative advantage in long staple cotton. In recent years Egypt has been producing about 70 percent of the world production of extra long staple cotton and 40 percent of the total production of long staple cotton. The value of the cotton crop has accounted for two thirds of the total value of the major Egyptian crops and about ten times the value of the wheat crop. Furthermore, Egyptian cotton has commanded a premium price in world markets and has accounted for more than three quarters of total exports. In the Syrian Region cotton, commercially introduced after World War II, has become increasingly important and amounted to about half of the total value of Syrian exports just before the merger.¹² But Syrian cotton differs in quality from Egyptian cotton in that it is of short and medium staple varieties and thus does not compete directly with Egyptian cotton. The Egyptian Region produces seven main

¹⁰ Statistics of foreign trade alone do not give an accurate picture of these supplementary and competitive aspects because of the abolition of custom duties and the change from international relations to national relations.

¹¹ One feddan equals 1.038 acres.

¹² See United Nations Department of Economic and Social Affairs, "Economic Development in the Middle East, 1956-1957," *Supplement to World Economic Survey, 1957* (New York: 1958), p. 120.

types of cotton: Karnak, Menoufi, Guiza 30, Guiza 47, Guiza 45, Ashmouni, and Dandara. Karnak and Menoufi have a long staple length of about $1\frac{3}{8}$ " and are grown in almost two-thirds of the total area devoted to cotton cultivation. The Syrian Region has two main types of cotton. The irrigated cotton has a staple length of $1\frac{1}{4}$ inches and very roughly corresponds to the Egyptian Ashmouni. The non-irrigated cotton ranges from $\frac{3}{8}$ to one inch and is considered without an actual counterpart among the Egyptian varieties.¹³

The second most important industrial crop in both regions is sugar. Yet, while both regions are surplus producers of different types of cotton, they are deficit-producers of sugar. Furthermore, each region specializes in a different type. The Egyptian Region produces mainly sugar cane with an estimated crop of over four million Metric Tons. Recent attempts to introduce sugar beets on a commercial scale have not been successful. The Syrian Region specialized in the sugar beet. Though introduced recently it is becoming an important Syrian product with the 1955 crop of 35,000 M.T. being doubled in 1957. As the total amount produced in the U.A.R. could hardly offset growing demand, an increase in either region's share could be considered supplementary.

A more obvious situation exists in the case of food grain crops. The Egyptian Region's annual production of wheat usually amounts to 1.5 million M.T. This is compared with a Syrian crop which varies from one year to another and fluctuates more greatly than that of Egypt due to differences in climate and dependence on rain rather than steady irrigation. It reached an all-time record of 0.8 million M.T. in 1956. In normal

years Syrian output of wheat usually allows for substantial amount of exports reaching to one third of its volume. The rapidly growing Egyptian population has become increasingly dependent on wheat imports to supplement local output in meeting a total annual Egyptian wheat consumption of about 2.5 million M.T. Here the complementary relationship of one of two regions can clearly be seen. Even before the merger this relationship existed and Syria exported a great deal of its wheat surplus to Egypt in accord with a ten-year trade agreement reached in 1957.

The supplementary aspect is equally obvious in the case of barley where the Syrian output in good years amounts to over half a million M.T. or about fourfold the Egyptian crop and has allowed for important exports to the Egyptian Region. The same relationship has existed regarding rice but with the Syrian Region importing more than 9,000 tons a year from the Egyptian Region. This relationship has been established for some years as Egyptian exports of rice have been annually increased as a result of expansion at the expense of other grains and by virtue of continued reclamation.

Less important differences in agricultural composition between the two regions exist in the production of fruits. Although as part of the Mediterranean Area both regions produce a wide variety of fruits, they differ widely in specialization. For example, the Syrian Region concentrates on olives, producing about 78,000 tons in 1956 compared to the insignificance of the Egyptian output. Other Syrian fruit products are non-existent or exist only on a non-commercial scale in the southern region of the Republic. These include apples, cherries, walnuts, almonds and pistachio nuts. Exports of these products to Egypt formed an important part of the

¹³National Bank of Egypt, *Economic Bulletin* (Cairo, Egypt: Vol. XI, No. 1958), p. 12.

foreign trade before the formation of the U.A.R.

The foregoing comparative analysis of Egyptian and Syrian agriculture is not conclusive but it shows that, while the main crops are shared by both regions, they should be considered in terms of deficits and surpluses (as in the case of grain foods) as well as differences in varieties of products (as in the case of cotton and sugar), or complete lack of them in either region (as illustrated by the specific types of orchards). A study of forestry would also show that the Syrian Region has a rich variety of woods covering about one million feddans and producing oak and evergreen oak as well as different types of pines while the Egyptian Region lacks natural forests.

While there are no present indications of extensive mineral deposits in the U.A.R., the differences between its two regions in terms of mineral wealth assume considerable importance. The Egyptian Region is by far the richer in minerals. Minerals there have been subject to earlier, much more advanced and consistent exploration and exploitation than they have in the Syrian Region. An attempt will be made to discuss here the extent of the utilization and the location of the U.A.R.'s mineral wealth, a topic which has received little attention as yet, but one which is expected to receive more attention and have greater significance as the U.A.R. completes its plans for economic development. Most Egyptian mineral resources are located in the Eastern Desert. Ores occurring in that region contain the following minerals: lead, tungsten, chromium, talc, ilmenite, magnetite, and kaolin, uranium, gypsum, phosphates, iron ore and manganese.¹⁴

Also, deposits of iron ore are located close to Aswan in Upper Egypt.

The Syrian Region, which seems to be less favorably endowed with minerals, possesses important deposits of bitumen or asphalt, the largest of which are situated in Japal Bishri in the northeast and in Jibb al-Jarrah near Homs. A third deposit and the only one presently exploited is located east of Latakia. A significant amount of salt is located in Jabbul Lake near Aleppo and in Jeirud Lake near Damascus. Drilling in Eastern Syria revealed the presence of considerable amounts of natural gas. There are also proven deposits of gypsum spread over wide areas. Other minerals such as lead, pyrites, chromite, and iron ore are known to exist but their commercial value is yet to be proven.¹⁵

Exploitation of fuel minerals seems to be more active in the Egyptian Region. Oil has been the principal mineral exploited and coal is not mined in any quantity. Both the Egyptian and Syrian Regions are considered among the have-nots as far as oil is concerned; this is partly in terms of Middle Eastern standards, comparing these regions to the oil-rich neighboring countries such as Iraq and Saudi Arabia. So far, oil has been exploited only in the Egyptian Region of the U.A.R. Total output of Egyptian oil at present is mainly from the Sinai oil fields and the newly discovered fields in the Ras Bakr area¹⁶ and is estimated at over 3 million tons (an amount equaling the total Western European production). This amount has changed the situation

Permanent Council of the Promotion of Natural Production, *Egyptian Mineral Resources* (in Arabic) (Cairo, Egypt: 1954), p. 11.

¹⁵ The International Bank for Reconstruction and Development, *The Economic Development of Syria* (Baltimore, Maryland: Johns Hopkins Press, 1956), p. 9.

¹⁶ The Egyptian Ministry of Industry announced in its statistical report that the output of crude oil from Egyptian oil fields amounted to 1.8 million tons during the first seven months of 1958.

¹⁴ See Republic of Egypt: Ministry of Commerce and Industry, *Opportunities for Industrial Development in Egypt* (Cairo, Egypt: Government Press, 1955), p. 26; also

enabling Egypt to reach the long-sought objective of quantitative self-sufficiency in oil and allowing for some exports. In the Syrian Region oil was discovered last year at Karatchuk but so far has not been put into production. Preliminary studies indicate that the field has promising potential.¹⁷ Coal was thought to be non-existent in both regions but recently the Ministry of Industry announced the discovery of considerable coal deposits at Uyum Mussa in the Sinai Peninsula.

The utilization of the previously mentioned local agricultural and mineral natural resources is the foundation of industrialization of the U.A.R. So far the the Egyptian Region seems to have had an earlier start and, perhaps because of its growing population, it has pushed industrialization plans more actively than has the Syrian Region. This does not mean that the Egyptian Region has overcome its industrial problems. Recent research studies by the Ministry of Industries indicate that industry accounts for only eleven percent of the national income. It is estimated that this amount will be doubled when the Five Year Industrialization Plan (1957-1962) is completed.

Any comparative study of Egyptian and Syrian industries should begin with industries present in both regions and then discuss those present in only one region. The major industry shared by both regions is the textile industry. The Egyptian textile industry is older and larger as well as more diversified than its counterpart in the Syrian Region. The industry gained momentum during the post-World War I period with the largest plants associated with the Misr group. The industry was stimulated by World War II with the incidence of shipping difficulties and the increased demand resulting from the

presence of the Allied troops and a growing population. Now the Egyptian textile industry, employing about 150,000 workers and using more than one million spindles, meets all of the coarse-cotton domestic requirements but consumes for that purpose fine Egyptian cotton. (Egyptian import restrictions prevent the importing of cheaper cotton.) Also it produces most of the fine-cotton products and synthetics required for the local market. Limited amounts of yarn and fine woven fabrics have been exported recently to the U.S.A. and Europe. The Syrian textile industry is younger and mainly the product of post-World War II efforts; it employs 35,000 persons in its various branches and it uses about 100,000 spindles or one tenth of those used by the Egyptian industry. Before the merger Syria exported very small quantities of cotton cloth. It could not be called self-sufficient in cotton textiles or other textiles as textiles rank high on the import list.¹⁸ With the Egyptian industry using expensive fine cotton to produce coarse goods, the growing Syrian industry might be able to compete successfully with Egyptian textile mills by using cheaper raw materials.

Another important industry existing in both regions is sugar refining. The Egyptian sugar industry, which is the oldest in the Middle East, depends solely on sugar cane; in 1956 it produced about 312,000 tons raw sugar and 289,000 tons refined. This was hardly adequate to fill the rapidly growing local demands. A project to supplement sugar cane production by raising sugar beets did not succeed in Egypt. In 1950 the Syrian Region started sugar production from locally raised sugar beets. With a total annual output of 50,000 tons of refined sugar or about 15 percent of the Egyptian

¹⁷ *News of the United Arab Republic, op. cit.*, August 20, 1958.

¹⁸ "Economic Development in the Middle East, 1954-1957," *op. cit.*, p. 142.

production, Syria imports raw sugar.¹⁹ The output of sugar in the two regions, separately or combined, is not adequate for the fulfilling of the total demand in either region. In the direction of increasing sugar refining production, a new factory has been established recently in Damascus and together with other Syrian production is expected to meet the local demand for refined sugar. Production of vegetable oil is an old established industry in both regions. Syria has specialized in the olive oil industry for centuries; recent production is about 12,000 tons a year, one quarter of which is exported.²⁰ For a long time Egypt has been dependent on import of cotton seed oil; Syria has produced cotton seed oil only since the introduction of cotton cultivation after World War II. Before the merger Syria was an exporter of cotton seed oil also. This could be considered a supplementary aspect as the Egyptian Region suffers from a deficiency in oils, even in cotton seed oil, as indicated by foreign trade figures which show increasing imports of that commodity from Communist China in 1957.²¹

In the case of cement production the situation seems to be more complicated and competition is rife at present. Both regions are self-sufficient according to their present requirements and both export cement. Due to transportation costs and fuel costs, Syrian cement is relatively more expensive than Egyptian cement. Other growing industries found in both regions include the production of glass, cigarettes, matches, canned food and leather products. These industries are limited in scope and in employment and are geared towards meeting local demands. The Egyptian Region is pres-

ently the main supplier of commodities from principal industries such as iron and steel, producing per annum about 300,000 tons of rubber tires with a yearly output of 400,000, oil refining with almost 3 million tons of crude and refined oil products. The chemical industry in the U.A.R. is almost exclusively located in the Egyptian Region where an emphasis has been placed on the production of superphosphates and nitrate fertilizers. Last but not least is the film industry which is not only unique in the U.A.R. but also in the Arab world. The one hundred films annually produced at Giza near Cairo provide all the Arabic film entertainment throughout the Syrian Region. While some of the foregoing Egyptian industries such as the steel industry can hardly meet the present demand in the Egyptian Region,²² the establishment of the U.A.R. and the removal of trade obstacles between the two regions is likely to cause more industrial growth and provide a broader market as well as cause a reorganization of priorities in consumption patterns according to the new economic situation.

The Problematic Aspects of the Merger

The problematic aspects of the union between Egypt and Syria are too obvious to be overlooked in any estimate of the present situation or of possible future trends. The problems stem from various economic, political and social obstacles. To be sure, much has been gained already by the continuous measures taken to overcome some of the hindrances. Here as elsewhere in this discussion the economic aspects will be the center of focus. The most apparent and perhaps most discussed obstacle is the fact that the two regions enjoy no common boundary. They are geographically sep-

¹⁹ Bureau des Documentations Syriens et Arabes, *Etude mensuelle sur l'économie et le marché Syriens* (Damascus, Syria: January 1958).

²⁰ *Statistical Abstract of Syria, 1950-1956*, Damascus, Syria.

²¹ National Bank of Egypt, *Economic Bulletin*, Vol. X, No. 2, p. 121.

²² The Egyptian consumption of steel products is expected to reach 600,000 tons by 1960.

arated except by sea and air. There is certainly an obstacle in terms of transportation but it should not be exaggerated, especially if we recall that land routes existing in this area of the world do not usually represent the quickest or cheapest means of carrying goods and services. Travel through the desert has proven to be costly and shipping by air rather than by land is gaining preference. Also, one must consider that the distance separating the two regions is only about 120 miles, a short distance when considered in terms of national or international trade or if compared to the distance that separates East Pakistan from West Pakistan—over 1000 miles.

Lack of common borders between the Egyptian and Syrian Regions is not the only obstacle to economic unity. Trade relations are handicapped by certain provisions of Law No. 131 made on September 1, 1958 (mentioned earlier) which, while stipulating that custom duties on animal, agricultural, mineral and industrial products of U.A.R. origin are abolished, still provides for some important exceptions and hinders the fullest utilization and most economic allocation of resources. The nine exceptions include tobacco and products derived thereof. Sugar and salt pay full duty; and the duty on rayon yarn and fabrics, glassware, tanned leather shoes and aerated water is reduced by fifty percent. Securing free entry is not a simple matter. For commodities of U.A.R. origin, free entry must be established by a special certificate which necessitates prolonged procedures. The law considers an industrial product to be of U.A.R. origin when the value of local raw materials and labor represents at least 25 percent of the cost. To estimate this value and its proportion to the total cost is a time-consuming process and in most cases can

not be other than an approximate evaluation at best.

Another obstacle to U.A.R. domestic trade is one that existed in pre-merger times; it is the use of different currencies in the two regions rather than the use of a unified currency. It is true that payments between the regions are regulated by an agreement between the two Ministers of Economy that provides for current payments to be affected in Egyptian pounds through a Syrian Region Account opened by the National Bank of Egypt. Yet this system does not help to remove red tape and solve the complicated problem of having a double currency system in one sovereign state. The agreement contains a long series of provisions concerning current payments which are still subject to the exchange control regulations in force in the two regions. The Ministers of Economy and Trade still have to authorize what transactions are to be effected and what are not to be effected outside the clearing account. Then there are the problems involved in deciding at the end of each year on the settlement of the account's balance. Also, the rate of exchange between the Egyptian and Syrian pounds has yet to be fixed.

Conformity in legislation seems to have created problems particularly in connection with the enactment of the Syrian Agrarian Reform on September 27, 1959. This law, which closely parallels a decree issued in the early days of the Egyptian revolution, is claimed by some Syrian farmers to be take insufficient account of either the fundamental geographical differences between the two regions or of the variation in environment. Furthermore, it is claimed that maximum holdings of 200 acres in the Egyptian Region yield about three-fold that of the newly fixed maximum hold-

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ings of 200 acres of irrigated land or 500 acres of non-irrigated land in the Syrian Region. This problem should not be considered permanent as differences between Egyptian and Syrian land and within Syria itself are likely to diminish with the constant change and increase in Syrian productivity and with the plans insuring the irrigation of cultivated land through irrigation projects (whose completion is expected by 1961)²² rather than relying on rainfall. Also, if one considers that limiting of the size of land holdings is likely to divert investments toward industrialization rather than to the bidding-up of prices of land and that the Syrian industry is less developed than its Egyptian counterpart, the land reform laws may be somewhat justified by offsetting disparities in industrialization.

Administrative difficulties hinder spontaneous operations of day-to-day economic activities in both public and private sectors of the U.A.R. These difficulties are related to the structure of the executive machinery which has been adopted since the union of Egypt and Syria. After the proclamation of the U. A. R. very few ministries were merged; those combined included the Ministries of Defense and of Foreign Affairs which were placed under one minister each. In other fields closely related to the economic development of the republic, such as the treasury, agriculture, industry and communications, two ministers for each department were appointed, one for each region. This situation brought about considerable delay and inaction resulting from a lack of coordination concerning common problems and combined measures. The need of central machinery was recognized and late in 1958 when central ministers for key departments such as Economics, Trade and Public

Works were appointed. The appointment of central ministers has not completely solved the integration problem. This must be done on the lower levels of these departments through administration. The delay in achieving complete integration has been because of concern with details rather than principles.

The foregoing list of problems are not exhaustive; it consists only of examples of problems, the majority of which might be expected to emerge from the union of two struggling states. As compelling as some of these problems are, they must be allowed their day for solution and one must not overlook the continuous increase in the numbers of competent experts and specialists in the fields of economics and administration of the newly formed national union.

Plans of Economic Development of the U.A.R.

At present the U.A.R. has no unified plan for economic development. Instead there are numerous projects designed to cope with immediate short-range problems such as deficits in the balance of trade and shortage in foreign exchange. Some projects are designed for long-range problems that exist in the field of reclamation and water resources. These projects were planned to deal with the two regions separately rather than with the republic as a whole. The Egyptian Region has plans to reduce its overdependence on major imports of capital goods, petroleum, foodstuffs and fertilizers. To this end the region has been exerting a concentrated effort to expand its oil refineries, steel production, automobile assembly plants and chemical plants. In July, 1957 a Five Year Plan was inaugurated which gives priority to the growth of heavy industry. Among the projects included in the plan are three oil refineries and the enlargement of

²² This date was given early in 1959 in a statement by Al El Sharabassy, United Arab Republic Central Minister of Public Works.

the facilities of the refinery presently at Alexandria. Expansion projects are included for the new steel industry. The plan provides for expanding research for mineral wealth—mainly petroleum and radioactive materials in the Western Desert. The Five Year Plan emphasizes the planned expansion of such light industries as the production of textiles, paper, penicillin and sulfa drugs, and dairy products.

TABLE I—FIVE-YEAR PLAN FOR INDUSTRIALIZATION
OF THE EGYPTIAN REGION

	in L.E.
Manufacturing.....	183,750,000
Mining.....	26,686,000
Petroleum exploration and refining.....	40,000,000
TOTAL.....	250,436,000

Out of the plan's total cost of about one quarter of a billion Egyptian pounds, more than L.E. 150 million will be required in foreign exchange. This will be met in part by a Soviet loan which will provide the equivalent of L.E. 60.9 million. The direct employment of 100,000 workers will be required. The value of the annual production of the new industries is estimated at L.E. 118 million and the increment to the Egyptian national income is estimated at L.E. 48 million. In addition, the completion of the plan will result in a saving of L.E. 63 million in foreign exchange as a result of a decrease in imports.

In the Egyptian Region long-range planning to offset food shortages is centered on the Aswan High Dam Project. According to the estimate of the International Bank for Reconstruction and Development, the total cost of the project would exceed 465 million Egyptian pounds, over half of which is for the dam itself, the electric generating facilities and the long-distance power transmission lines. The remainder is for irrigation and drainage works, land

reclamation and settlement, public utilities and indemnities. The direct foreign exchange requirements of the High Dam Project are estimated at 30 percent of the total cost, or about 400 million dollars. To the Egyptian Region the High Dam Project would mean an addition of about 1.3 million feddans of newly reclaimed land to the existing 6 million feddans and the conversion of about 0.7 million feddans of basin irrigation to the perennial system, thereby enabling farmers to raise two to three crops a year instead of the one crop being raised presently. The ultimate aggregate output of electric power is expected to reach 8.1 billion kwh per year. The execution of this extensive project is expected to take a long period of time and it is feared that when it is completed the Egyptian population at its present rate of growth will have obliterated the benefits gained from the dam's construction. Other Egyptian plans for development include road construction (during the next five years 20 million Egyptian pounds will be allocated to road building) as well as programs for the improvement of the Suez Canal.²⁴

While the Egyptian Region has different development plans including industrialization, the High Dam Project and road construction, the Syrian Region has a single and all-inclusive Ten Year Development Plan. This plan (1958-59 to 1967-68) was established in September 1958.²⁵ The total estimated cost of the plan amounts to L.S. 2,139.9 million, of which L.S. 535.5 is to be met by a Soviet Union loan. The Syrian plan emphasizes the important role of irriga-

²⁴ Ragaei El Mallakh and Carl McGuire, "The Economics of the Suez Canal under United Arab Republic Management," *Middle East Journal*, Spring 1960, p. 134.

²⁵ United Arab Republic Presidential Decree, No. 133. It should be added that a new development plan for the Egyptian Region for the Period (1960-65) is now under consideration.

tion and hydro-electric projects which will absorb over 68 percent of the total estimated cost. As the Egyptian development plans center around the exploitation of water resources through the construction of the High Dam Project,

TABLE II—EXPENDITURE ESTIMATES OF THE MAIN PROJECTS OF THE TEN-YEAR DEVELOPMENT PLAN FOR THE SYRIAN REGION

	Syrian Pounds (millions)
Administration and Technical Education.....	25
Euphrates Basin.....	1,140
Ghab and Orontes Basin.....	148
Khabour Basin.....	75
Other agricultural projects.....	96
Irrigation and Hydro-electric Power Projects.....	1,459
Railways.....	250
Aerodrome.....	50
Roads.....	50
Embankment.....	15
Communication Projects.....	365
Industrial bank.....	10
Chemical and fertilizer factories.....	50
Oil refinery and stores.....	70
Industrialization.....	130
Geological survey and mineral prospection.....	30
Tourism and recreational projects.....	30
Torrent deviation (from Hama).....	2.5
Interest of internal and external loans.....	98.4
Total cost of the Ten-Year Plan.....	2,139.9

we find that an almost similar project of relatively smaller magnitude dominates the Syrian Plan; this is the multipurpose Euphrates Basin Project. This project alone will cost over half of the total Ten Year Plan cost (as shown in Table No. II). The dam will supply irrigation water to about 2 million feddans and will include an electric power plant with an initial capacity of 100,000 K.W. The construction of this Euphrates dam is expected to be completed by 1967-68. Of lesser importance among the irrigation projects is the Ghab and Orontes Basin multi-purpose project. Already under construction, this project provides for irrigation, drainage, and hydro-electric power; it is expected to be completed by 1961. The Ghab marshes covering about 90,000 feddans will be

drained and the resettlement of about half a million persons will be possible. Next in importance is the Khabour Basin Project which provides for the irrigation of about 160,000 feddans and will be completed in 1963. Communications projects center around the construction of railroads costing about L.S. 250 million and an airport with an estimated cost of L.S. 50 million. The main industrialization expenditure is related to the Homs Oil Refinery. Receipts from this refinery are estimated at L.S. 25 million annually after 1960. More recently an expansion in the Syrian Industrial development has been envisaged as a five-year industrialization plan. It has been drawn up and appended to the ten-year plan for economic development projecting a combined total expenditure of L.S. 2.7 billion.

So far we have given a brief account of what has been done in terms of plans for economic development but it also has been demonstrated that no all-embracing development plan for the U.A.R. was introduced. The present plans are far from being complete and are concerned either with a series of projects such as the Egyptian Industrialization Plan or with a single comprehensive regional plan as in the case of the Syrian Ten Year Plan. As the Egyptian and Syrian Regions are going through the process of integrating their economies and readjusting their output patterns, a single program for economic development seems to be required. Program budgeting is budgeting in which the two integrated regions would determine what the U.A.R. must do to develop itself economically and at the same time to take care of its urgent needs for better communications between the two regions and to strengthen the economic welding ingredients. The U.A.R., having de-

terminated what it needs to do, should then tailor the development program to accomplish these ends. This may mean using resources of both regions as an integrated source to meet combined economically achievable projects. However, program budgeting which accompanies the ordinary budget and does not replace it cannot be done yearly as in the case of the present limited Central Budget but it necessarily requires consideration for its long-range effect and it can be achieved step by step economically over a period of years. Some years will require more money than others as a matter of practical necessity. But over such a period, say five years, the over-all picture will show wide-scale economic amalgamation within the newly established republic.

To achieve such integrated development the long-range unified program, the ordinary yearly budget and other public as well as private measures should take into account the stage of integration and take advantage of the existing and potential common welding of economic ingredients as well as the two region's differences in natural resources and utilize them for the common interest. To do this it seems that everything that could lead to a greater freedom of mobility of production factors to allow for the most economic utilization should be encouraged. Examples of such needed efforts are numerous but it seems that emphasis should be placed on finding solutions to the problems of inadequate facilities of communication and transportation. The U.A.R., with an area of land much larger than that of France, Germany, and the United Kingdom combined and with two regions separated by sea, should give top priority to the provision of cheap and quick transportation between the two regions as well as between their centers of production and

embankment. Efforts should be exerted to expand the U.A.R. merchant marine, which consists of 80 steamers with a total tonnage of only about 200,000. Projects to improve the main ports of the U.A.R. which handle coastal traffic such as Alexandria, Latakia, Banias and Torous should be accelerated. The same thing could be said concerning the need for improving railroads which were constructed mostly before the regions merged, particularly in the case of the Syrian Region. These railroads are not adapted to serve the present economic needs. The expansion of ports and the potential increase in the flow of goods inland should also be encouraged through the improvement of roads and the reduction of the cost of transportation which so far has proven to be a hinderance to marketing. (An example of such an obstacle is that the transportation of a ton of wheat from Kameshly in the eastern part of the Syrian Region to Latakia in the west costs L.S. 70.) To facilitate the exchange of goods and services, the present remaining tariffs and restrictions on certain goods which are still imposed in both regions should be removed to allow for the exchange based on the concept of comparative advantage. For example, by not allowing the importation of non-Egyptian cotton, the cotton industry in the Egyptian Region is forced to use the more expensive Egyptian long staple cotton in making goods for local consumption rather than using the cheaper Syrian-produced upland cotton which is more suitable in the production of the heavy textiles which the bulk of the population consumes. Thus the importation of Syrian cotton could lead to more economical use of resources while putting more varieties of cotton at the disposal of the local manufacturers.

The unification of the two existing Egyptian and Syrian currencies into a

single standard of value as well as the creation of a U.A.R. Central Bank for regulating the amount of money are essential measures for free trade and mobility. The Central Bank should be able to provide the required monetary flexibility and the long-range stability for an economy with principal crops such as cotton and wheat which are highly vulnerable to national and international price fluctuations. In addition to countering such fluctuations the Central Bank also has to provide the monetary machinery for an annual expansion of at least four to five percent of the U.A.R. national income of 3.5 billion dollars to offset the needs of an annual population increase of over 2.5 percent if a modest rate of economic development is to be reached while possibly negating inflationary pressures.

Finally, it has often been proposed as a measure to solve the problems of development that many of the farmers among Egypt's 24 million inhabitants, who are crowded together along the narrow Nile Valley and are growing in number every year, be transplanted to the broad arid plains and hills of the Syrian Region where a population of 4 million does not provide enough manpower. Far from

being an immediate solution to the existing problem of under-development which is shared in different degrees in the agricultural areas of both regions, the process of resettlement is not a simple one. This is so not only because of the lack of capital for any wide scale resettlement but also because of the fact that the Arab farmer is passionately attached to his environment and his village as indicated by the fact that in the past he has often resisted efforts by governmental authorities to move him from one place to another even along the Nile. This resistance is in most cases based on inadequate knowledge of other areas. Thus, creating a situation where capital, trade and labor can move freely from one region of the Republic to another is not sufficient for successful economic development. Educational measures to spread the objectives of development and the means to carry them out are essential. This could be done by relating education to the actual problems and economic characteristics of the environment of the newly developed U.A.R. This fundamental type of education should be carried out simultaneously while creating new economic opportunities as the integrated plan of development and the freedom of mobility progress.

Economic Growth and Revolution in Mexico†

By JAMES G. MADDOX*

FOR ALMOST 20 years Mexico has enjoyed an unusually high rate of economic growth. For 30 years preceding this recent period of rapid growth the Mexican nation underwent a fundamental revolution—a series of great structural changes in social, economic and political institutions. Were there direct and causal relationships between these two phenomena? Was the revolution either a necessary or a sufficient condition for the subsequent period of rapid growth? These are the questions with which this paper is mainly concerned.

For those not familiar with recent Mexican history, a brief review of the extent to which the Mexican economy has developed since 1939 and a short summary of the major revolutionary developments between 1910 and 1940 are presented in a somewhat sketchy fashion. The main objective is to study the relation between the several components of the revolution and the rapid economic growth which has occurred during the past two decades.

I. Evidence of Economic Growth

Probably the best single index of the rate of growth of a national economy is the long-time change in total output per head of the population. If output per capita is increasing, the economy is growing. If it is declining, the economy is retrogressing.

Both total output (gross national product in 1950 prices) and population were increasing rapidly in Mexico during the

18-year period from 1939 to 1957 (Table I).¹ Only once during this period did total output decline from the preceding year. In 10 of the 18 years the annual rate of growth was higher than six percent. Population was also increasing at a rapid rate. The result was that output per capita increased at a lower rate than total output. Moreover, it declined in four of the years between 1939 and 1957. But in four other years its annual rate of increase exceeded six percent.

Since annual variations are pronounced, perhaps the best summary of the rate of growth is to compare the average annual output per capita in 1950 prices for the six-year period 1940-45 of 1,250 pesos with that of 1,723 pesos during the 1952-57 period. This shows an increase of 37.8 percent for the 12-year period, or more than three percent per year.² This is a high rate of growth. Indeed, for a country with a relatively poor complement of natural resources it is a remarkable success story. For the period under consideration (1939-57), Mexico's increase in gross national product per capita was more rapid than in most other Latin American countries and during a part of this period was more rapid than that of the United States.³

There are other evidences of rapid growth in the Mexican economy. Pig iron production rose from 92,000 tons in 1940 to 423,000 tons in 1957, a gain of

¹ It is only since 1939 that adequate statistics are available for measuring total output.

² Neither the estimates of gross national product nor of population should be viewed as being highly accurate. They are, however, not only the best available but fairly reliable for indicating trends and approximate rates of change.

³ For a comparison of rates of change in GNP per capita for Mexico, Columbia, Argentina, Brazil, and the United States see: *The Growth of the Mexican Economy*, by James G. Maddox, a report published by the American Universities Field Staff, June 1956.

† The paper has grown out of the author's experience in Mexico from the fall of 1955 to midsummer of 1957 as a member of the American Universities Field Staff. It has been improved by criticisms and editorial suggestions by Dr. George S. Tolley and Miss Ruth Good. Approved by the Director of Research of the North Carolina Agricultural Experiment Station as paper No. 1150 of the journal series.

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TABLE I—MEXICO—GROSS NATIONAL PRODUCT, POPULATION, AND GROSS NATIONAL PRODUCT PER CAPITA: 1939-58

Year	Gross National Product		Population		Gross National Product Per Capita	
	In Millions of Pesos at 1950 Prices ¹	Percent Change from Previous Year	In Thousands of Persons ²	Percent Change from Previous Year	In Pesos at 1950 Prices	Percent Change from Previous Year
1939.....	20,505	19,413	1,056
1940.....	20,721	1.1	19,815	2.1	1,046	(-0.9)
1941.....	23,289	12.4	20,332	2.6	1,145	9.5
1942.....	26,373	13.2	20,866	2.6	1,264	11.0
1943.....	27,358	3.7	21,418	2.6	1,277	1.0
1944.....	29,690	8.5	21,988	2.7	1,350	5.7
1945.....	31,959	7.6	22,576	2.7	1,416	4.9
<i>Average 1940-45</i>	26,565	7.8	21,166	2.6	1,250	5.2
1946.....	34,084	6.6	23,183	2.7	1,470	3.8
1947.....	34,517	1.3	23,811	2.7	1,450	(-1.4)
1948.....	36,080	4.5	24,461	2.7	1,475	1.7
1949.....	37,627	4.3	25,132	2.7	1,497	1.5
1950.....	41,500	10.3	25,826	2.8	1,607	7.3
1951.....	44,500	7.2	26,544	2.8	1,676	4.3
<i>Average 1946-51</i>	38,051	5.7	24,826	2.7	1,529	2.9
1952.....	45,000	1.1	27,287	2.8	1,649	(-1.6)
1953.....	44,400	(-1.3)	28,056	2.8	1,583	(-4.0)
1954.....	47,800	7.7	28,853	2.9	1,657	4.7
1955.....	52,500	9.8	29,679	2.9	1,769	6.8
1956.....	56,000	6.7	30,538	2.9	1,834	3.7
1957.....	58,000	3.6	31,426	2.9	1,846	0.7
<i>Average 1952-57</i>	50,617	4.6	29,307	2.9	1,723	1.7
1958.....	60,600	4.5	32,348	2.9	1,873	1.5

¹ Annual Report of the Bank of Mexico, 1959.² United Nations: *Monthly Bulletin of Statistics*, March 1959.

360 percent; steel ingot production climbed from 149,000 tons in 1940 to 1,031,000 tons in 1957, a rise of 592 percent; cement output increased from 485,000 tons in 1940 to 2,500,000 tons in 1957, a gain of over 400 percent; crude oil production rose from 44.4 to 92.2 million barrels during the same period, and there was a gain of 234 percent in

the kilowatt hours of electricity generated. While these gains were being made in the industrial sector of the economy, agricultural output more than doubled.

Although incomes of most Mexicans are still low, and underemployment is prevalent in both rural and urban areas, great strides have been made. Growth feeds on growth and, since the national

affairs of Mexico are being handled in a manner generally conducive to further increases in productivity, there are sound reasons for believing that the country has definitely "taken off" into a period of sustained development.

II. Highlights of the Revolution⁴

The revolution is generally said to have started when Francisco Madero launched a political movement in 1910 to bring about the resignation of Porfirio Díaz, the 80-year old president of Mexico, who had been in power (with only four years out of office) from the time he had first gained the presidency by way of a military coup in 1876. Madero forced Díaz to resign in the spring of 1911 and was himself elected president in the fall of that year. Díaz had ruled Mexico through a combination of force and patronage. He was an army officer who acted as front man for three important groups: a cortege of older army officers, the Catholic church, and a small clique of upperclass, wealthy families, many of whom owned vast holdings of land and some of whom had significant interests in banking, merchandising and light industry.

Díaz's regime was built on the belief that government could contribute most: (1) by maintaining peace and order within the countryside; (2) by encouraging foreign capitalists to bring both their capital and know-how to Mexico to open up the country with railroads and to develop her oil and mineral resources; and (3) by following a variety of minor policies to aid and encourage the already wealthy upperclass members of society.

For almost a decade the movement touched off by Madero resulted in inter-

mittent warfare among Mexican leaders. Out of the bloodshed and confusion, two important developments occurred. First, the old oligarchy—the landlords, bankers, merchants, managers of foreign companies, and church leaders—lost political control. A new group, with new traditions, new value judgments, new aspirations, came to power. The switch in political control was basic to all that occurred afterward. Second, the major aims of this group—the objectives of the revolution—were hammered out and written into the famous constitution of 1917. This document explicitly gave the State the power and a mandate to make substantial reforms in the institutional framework of Mexican society.

Among the new powers and duties imposed on the State, three are of special interest. First, the new constitution provided for land reform—breaking-up the large plantations and giving the land to the agricultural workers to be held under a peculiar form of tenure called the *ejido*. A closely related provision, representing a return to an old Spanish law doctrine, made the subsoil, including all minerals, oil and gas, the property of the nation instead of the property of the owner of the surface soil. Second, the constitution of 1917 singled out laborers as a special class of citizens and granted them certain rights and privileges which have subsequently served as the legal foundation for a government-sponsored labor movement and body of liberal labor legislation. Third, the constitution imposed on the government the responsibility for primary education and provided that such education should be free, compulsory and secular.

These provisions were significant attempts to weaken the power of the three groups which had underpinned the Díaz regime and which had long been highly influential in Mexican society; namely,

⁴ For more comprehensive characterizations of the Revolution than can be given here, see: Howard F. Cline, *The United States and Mexico* (Cambridge, Massachusetts: Harvard University Press, 1953); also Frank Tannenbaum, *Mexico—The Struggle for Peace and Bread* (New York: Alfred A. Knopf, 1951).

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landlords, large employers of nonagricultural labor, and the Catholic church. Land reform struck directly at the large landowners. The labor legislation and the provision of the constitution asserting government sovereignty over the subsoil were threats to the large companies, many of which were foreign owned and were engaged in mining, railroading and the exploitation of oil. Putting the responsibility for primary education in the hands of the State, and describing the kind of education which should be promulgated, particularly that it should be non-religious in nature, sheared the Catholic church of important functions which it had previously performed.

During the period from 1920 to 1933, the reforms dimly envisioned by Madero in 1910 finally got underway. Land reform went forward on a significant but modest scale. The government started a program for educating the people. It took effective steps toward controlling the supply of money and started investing public funds in roads, irrigation projects and agricultural credit. It won an important fight with the church between 1926 and 1929 when the Catholic clergy went on strike in an attempt to force the government to back away from its strong anti-clerical position.

An important political development also took place during this period, namely, the organization of an "official" revolutionary party. This party has been reorganized and renamed on two occasions since its founding in 1929 and has served as a vehicle for passing presidential power, by means of national elections, from one leader to the next without serious violence and with reasonable adherence to original revolutionary principles.⁵

It was Lázaro Cárdenas, the party's candidate in 1933, who became the great reform leader of the revolution. He was the New Deal president of Mexico. Like Roosevelt in the United States, he was beloved and respected by the common people, particularly the rural people, but was never trusted by the well-to-do classes of Mexican society.

Whereas land reform had been going slowly, and was beginning to be questioned by some of the important revolutionary leaders, Cárdenas reversed the trend and distributed over twice as much land during his six years in office as his predecessors had done in the preceding 19 years.⁶ He thus dealt a final blow to the political power of the conservative landowning class. He nationalized the oil industry and the railroads, both of which had been important symbols of foreign influence and control. He reorganized and strengthened the labor movement and in many different ways brought government closer to the daily lives of the people.

Cárdenas' great reforms—primarily the expropriation of the oil industry and the railroads, and the sweeping transfers of land from private large holdings to the *ejido* form of tenure, bringing government closer to the people, and creating a spirit of independence and national pride—were in many respects culminations of the earlier desires and dreams which had spurred the people to rally to Madero's movement to oust Díaz. Nevertheless, they left many bruises and sore spots in the Mexican social fabric. Representatives of the old power centers did not die easily. Many people, some of them important and highly respected citizens, lost significant sources of income as well as social status.

⁵ It is now known as Party of the Institutional Revolution (*Partido Revolucionario Institucional*) and is commonly called PRI.

⁶ For a brief history of land reform in Mexico see, *Mexican Land Reform*, by James G. Maddox, a report published by the American Universities Field Staff, July 1957.

It is not, therefore, surprising that the four presidents who followed Cárdenas—Ávila Camacho (1940-46), Miguel Alemán (1946-52), Ruíz Cortines (1952-58) and Adolfo López Mateos (1958...)—lacked his enthusiasm and zeal for reform.

In political propaganda the revolution continues to the present day. But a change has come about in revolutionary aims. Whereas the first thirty years of the revolution were heavily laden with egalitarian ideas—an egalitarianism which extended to property rights, opportunities to exploit natural resources and to enjoy social and political power, as well as to the distribution of income—the period since 1940 has been one in which the revolutionary party has been more concerned with economic growth and development. There has been less emphasis on ways and means of "dividing up the pie" and more emphasis on "making the pie larger." Land reform has continued on a modest scale. Labor organizations are a potent part of the dominant political party and labor leaders, as well as farm organization leaders, not only exercise political power but are commonly believed to receive financial assistance from the government purse.

An important political change took place in 1946. The army stepped out of the revolutionary political party and turned the presidency over to a civilian. Miguel Alemán was Mexico's first civilian president since Madero was ousted from the presidency in 1913. All subsequent presidents have been civilians and the long period of army rule appears to have been definitely broken. This was a major step toward democracy.

III. *Growth and Revolution*

Before 1910 the Mexican economy was divided into two main sectors. One was represented by the oil industry, much of

the mining, railroads, import and export business, and some manufacturing. It was capitalistic, commercial, specialized in its production methods, and based on scientific knowledge and technology of the period. A large part of this sector of the economy was owned and controlled by foreigners mainly from the United States and Western Europe. It expanded during the Díaz regime and its influence in governmental and social affairs was important. The other sector was mainly self-sufficient or quite limited in its market orientation, not generally specialized in its production techniques and with its technology based in tradition or folk knowledge. This sector included most of the agriculture, construction, retailing, personal services of various kinds, and a large part of the manufacturing. The latter was mainly handicraft work in textiles, leather goods, woodworking, and some metal fabricating of jewelry or ornaments connected with the construction of churches, public buildings, and homes of the very rich. Productivity per man was extremely low and probably was not increasing in the pre-revolutionary period.

These two sectors represented a dualism which arose mainly from differences in technology and economic organization. In one sector economic decisions were based on scientific and commercial considerations. In the other sector the decisions were based on habit, tradition, and folk knowledge. For want of better terminology we may call the former the technological sector and the latter the traditional sector.

The basic change which has come over Mexico since 1910 is that the technological sector has increased in size relative to the traditional sector. What caused this change and how were the causes related to the revolution? Three conditions appear to have been necessary and all

three were direct outgrowths of the revolution.

First, there must have been a shift in the incentives and desires of the people who occupied positions of leadership. Second, there must have been a change in both managers and workers so that under the spur of the technologically-minded leadership they were able to assume the responsibilities demanded by the growing technological sector of the economy. Third, there must have been changes in both the quantity and quality of capital available to the economy. Growth in the technological sector not only required an increase in the total amount of capital in the sense that greater capital-using processes of production were employed but, even more important, it implied a change in the quality of capital such that each unit became more productive.

It would be erroneous to assume that these three conditions came about through a relatively sudden metamorphosis of the traditional sector into the technological sector. The process of change was not mainly that of shifting existing resources from the traditional to the technological sector of the economy. Rather, it was a process of guiding a substantial part of the "new growth" into the technological sector of the economy. Moreover, some of this new growth was created by the revolution in the sense that it came into being as a result of government activities after government power came into the hands of the revolutionary leaders.

Actions of the national government were important in: (1) bringing about the rise of a new entrepreneurial class; (2) improving the quality of labor and providing incentives to hundreds of thousands of Mexicans to break out of their traditional patterns; (3) augment-

ing the supplies of capital and influencing its flow into certain areas of the economy; and (4) improving public administration.

Changes in Entrepreneurship

The shift in entrepreneurship stemmed from three sources: (1) younger men from the tradition-minded, elite families who had long been associated with the Díaz entourage; (2) a buccaneering, new group from the middle class who were associated with the new political leaders of the revolution; and (3) in recent years managers of relatively new firms with strong United States influences.

The heads of many of the old families who had been associated with the Díaz regime either hurriedly left the country or quickly went into retirement at the time of Díaz' downfall. They put their wealth in the hands of younger members of the family with the admonition to salvage as much as possible. These younger men were able for the first time in their lives to express their own ideas in the administration of the family holdings. Many of them had studied in Europe and the United States. A not uncommon situation was that all or part of the landholdings were lost but the industrial and commercial holdings were retained. These nonfarm enterprises often blossomed into growing profitable businesses, utilizing fairly modern methods of production.

A second source of the new entrepreneurial class was connected with the spoils system. Friends, relatives, and cronies of the political leaders received special favors ranging from outright gifts to highly profitable government contracts with which to expand or start business enterprises. Many accumulated substantial capital from the public purse and

used it with their government connections to go on to larger and more permanent business establishments. This group was mainly from the small middle class in Mexican society. Often its members had been associated with the technological sector of the economy as workers or foremen or with the army. As compared with the elite and aristocratic families associated with Diaz' government, its members were buccaneering, risk-taking entrepreneurs par excellence. The rough, crude middle-class backgrounds of the friends of the new political leaders not only added to their avarice, but also stimulated them to risky efforts. They did not have high status positions to maintain and, if they were to rise to positions of prestige, they had to strike boldly.

However, they were restrained from following the traditional Latin American method of gaining high social status by becoming large landowners. This avenue to high status positions was severely restricted and finally virtually closed by the land reform program in Mexico. Since the late 1930's the accumulation of large-scale landholdings has not only invited expropriation but it has lost its prestige value. The man who has made money in Mexico in the last decade or two gains status by essentially the same methods as in the United States; by living in an expensive residential area in a large city, owning two or three automobiles, joining a country club, and investing in industrial and commercial enterprises.

A third source of the new entrepreneurial class in Mexico is quite different. Since World War II there has been a significant growth in the number of Mexican businesses under the direction of men who are familiar with modern methods of organization and management. A sizable proportion are subsidiaries or branches of large United States

companies or have contractual affiliations with such companies. Many of the managers are citizens of the United States. Others are Mexicans who have studied in this country. Still others have had all their training and experience in Mexico but have consciously copied United States methods.

This new type of manager—he is hardly an entrepreneur in the Shumpeterian sense of the word—has brought an element of order and quality into business management. The careful calculation of costs and returns; the study of how these are affected by the engineering processes of production; the analysis of prospective markets and the costs of developing outlets for new products—all of which are commonplace procedures among this modern school of managers—not only bring increased business efficiency but also open new doors to expanding production. Scientific analysis of alternative opportunities is, among this new group of managers, replacing “the right government connections” as the means of getting ahead; though the latter is still not entirely overlooked.

The growth of this new, modern-minded group of business managers has been less clearly associated with the revolutionary movement than was true of the other two groups. Nevertheless, a complex of government actions, most of which grew out of the revolution, were important in creating an environment in which modern business practice has been able to thrive.

Quality of Labor and Incentives. Changes in entrepreneurship are not, however, the only ways in which the revolution led to rapid economic growth. In the 1920's, when the social and economic aims of the revolution were first put to serious test, government actions were inaugurated which have had great influence on the quality of labor and on incentives.

Among the most important of these were improvements in education. Though no one knows with accuracy it is generally believed that in 1910 around 70 percent of the population was illiterate. The move toward improving education began in 1921 when the federal government assumed the responsibility for primary education. For approximately a decade thereafter, there was a great educational awakening in rural Mexico which attracted the attention of educators in many countries. Even so, barely more than 50 percent of the children of school age actually attend schools and almost 40 percent of the total population is still illiterate. The educational picture is obviously far from rosy. However, in addition to gains at the primary and secondary school levels, there have been adult educational efforts—cultural missions, rural welfare projects, literacy campaigns, an agricultural extension service now about 5 years old, and thousands of radio programs with educational content of various kinds—which have supplemented the schools. On-the-job training activities of numerous industrial firms have also assisted in improving the skills of many people.

There is a new national university with about 30,000 students—many on a part-time basis—just outside Mexico City. Across the city is the National Polytechnic Institute with a wide array of vocational and scientific courses. There are 15 other universities in the country and numerous vocational schools of various kinds. The Bank of Mexico has a fellowship program for sending technically trained students to foreign countries for specialized post-graduate training. In addition, numerous fellowships for foreign study are available to Mexicans through programs sponsored by several foundations in the United States, by business

firms, and by United States government agencies.⁷

In the 1920's and 1930's major emphasis in the government's education policy was in expanding and improving the system of primary education and in adult education, in which increased literacy was a major goal. Attention was also given to the needs and interests of rural people and to developing a spirit of national pride among the children. In recent years emphasis has shifted to teaching the more orthodox skills of reading, writing, and arithmetic in elementary schools and relatively greater effort has been placed on college and vocational training. Thus, there has been not only an improvement in the level of skill among the laboring classes but also an increase in the number of trained teachers, administrators, engineers, physicians and related medical workers.

The productive abilities of the Mexican population have also been enhanced through improvements in health. Some progress in dietary and sanitary practices probably resulted from the rural educational programs in the 1920's and 1930's. In addition, an administrative agency—Institute of Social Security—operates a network of hospitals, clinics, sanitariums, and laboratories. The Ministry of Hydraulic Resources provides towns and villages with sanitary water supplies. The Ministry of Health carries forward programs to prevent epidemics and to wipe out endemic diseases. The average annual death rate in the period 1941-50 was 19.4 per thousand, compared to 32.7 between 1900 and 1910.

The educational and health measures were direct outgrowths of the revolution. If political power had not been shifted out

⁷For a review of such programs see: *Mexicans Study Abroad*, by James G. Maddox, published by the American Universities Field Staff, January 1957.

of the hands of the Díaz regime it seems highly unlikely that there would have been anything approaching a popular or mass educational movement. Moreover, it is quite probable that the educational opportunities which would have been provided for the children of relatively well-to-do families would have put little emphasis on scientific, technological, and vocational subject matter. With the exception of medicine these are not the areas of study in which upper class Latin Americans have been interested.

Greater incentives to raise levels of living were in part a direct outgrowth of the increased emphasis on education. Children as well as adults were taught that their way of life could be changed; that they were masters of their own destiny. The political campaigns and slogans emphasized that the revolution was the vehicle through which wider opportunities were being opened to them. In addition, at least two other influences were important. These were land reform and the expropriation of the oil industry.

The *peones* on the plantations were a part of the traditional (non-technological and non-progressive) sector of the economy. After the great upsurge of land distribution during the Cárdenas administration, when over 800,000 people received approximately 43,000,000 acres of land within a five-year period, the government began to help them with loans for operating capital and educational advice. Land reform not only eliminated much of the sullen resentment which had characterized plantation worker's attitudes toward their landlords but it also had the effect of virtually forcing government to provide capital and to encourage more modern methods of production as a means of preventing a decline in agricultural output which might otherwise have occurred.

From a purely psychological viewpoint the expropriation of the oil industry by Cárdenas in 1938 was probably more important than land reform in uniting the Mexican people and in spurring their incentives. "After 1938 the whole internal spirit of Mexico changed. The latent inferiority complex so widespread among Mexicans gave way to satisfaction and pride. Part came from Cárdenas' domestic reforms, but a great deal derived from expropriation."⁸ The almost magical effect of the ousting of the foreign oil companies is suggested by the public's response to Cárdenas' pronouncement that Mexico had to pay for the expropriated properties and that she would honor her foreign debt. "State governors, high church officials, patriotic grand dames, peasants, students—all the numberless and picturesque types of Mexicans—pitched in what they had, including money, jewels, even homely domestic objects, chickens, turkeys, and pigs."⁹

The oil expropriation, like Cárdenas' vigorous land reform efforts, was in many ways the consummation of old revolutionary dreams and promises. It drew support from a smoldering nationalism and an injured national pride, both of which permeated many segments of the population. The subsequent efforts of the oil companies to bend Mexico to their will by restricting markets and means of transportation for Mexican oil was stubbornly resisted by the Mexican government and continued to strengthen the popular feeling that Mexico must grow rich and strong if it was not to be a mere puppet of foreign businesses and foreign governments.

Public and Private Investments. In order to get a perspective on the role of the government in the field of investment it

⁸ Howard F. Cline, *The United States and Mexico* (Cambridge, Massachusetts: University of Harvard Press.) p. 238.

⁹ *Ibid.*, p. 242.

is necessary to look back to the 1920's when the early foundation stones were laid for a public investment program which blossomed into significance in the 1940's. The Bank of Mexico, the central bank of issue, was established in 1925 and budgetary reforms were initiated about this time with the result that the federal government gained the power to control the nation's money supply. Public investments in roads and in irrigation projects started in 1926 and it was in the same year that the first agricultural credit bank was established. Under Cárdenas, in the 1930's, the latter bank was reorganized and a special credit institution to serve the needs of *ejidatarios* (the people who received land under the agrarian reform program) was established. In 1934 an important industrial bank and development corporation, *Nacional Financiera*, was started and also in the mid-1930's a bank to finance foreign trade and another for public works were organized.

To the extent that funds permitted, the government was extending agricultural credit and financing irrigation projects and road construction activities from the mid-1920's onward.¹⁰ Thus, it was under the early revolutionary governments that most of the important financing mechanisms for the future were established and it was also in this period that agricultural credit, the building of irrigation projects, and the construction of a national system of highways was started. These latter activities were both productive and popular. To continue them became important commitments of the revolution. It was not, however, until the prosperous 1940's that government investment programs expanded sig-

nificantly and became important means of stimulating economic growth.

Throughout the 1940's there was an upward trend in the rate of investment. In 1937, about 9.7 percent of gross national product was invested. Ten years later the proportion had risen to 14.4 percent. It declined slightly in 1950 but rose again in subsequent years. Preliminary data indicate that it was 15.1 percent in 1957. The rise in the investment rate itself was important, and when coupled with the rapid increase in gross national product meant that the amount invested was significantly higher at the end of the decade than at the beginning—almost three times as high in real terms in 1950 as in 1939.

Of the total estimated investment, for the 12-year period 1939-50 inclusive, slightly more than 39 percent was public investment. During this period, public investment never fell below one-third of the total. Data for later years show essentially the same relationship. For instance, in 1957 public investment was about 35 percent of the total. Obviously, it has been a significant item throughout Mexico's recent period of rapid growth. The percentage distribution of public investment for the period 1939-50 by five major categories was as follows:¹¹

	Percent
Transportation and communications.....	44.6
Agriculture and resources.....	19.5
Electric power and petroleum.....	17.6
Social and municipal construction.....	12.6
Miscellaneous.....	5.7
TOTAL.....	100.0

¹¹ The data referred to in these paragraphs for the years 1939-50 are from *The Economic Development of Mexico*, report of the combined Mexican Working Party, published for the International Bank for Reconstruction and Development by the Johns Hopkins Press, Baltimore, Maryland, 1953. For subsequent years the data are from annual reports of *Nacional Financiera*.

¹⁰ It was in connection with much of this activity that friends of government officials obtained capital and early experiences in developing into a new type of entrepreneurial group, as described earlier.

The largest item—transportation and communications—was made up mainly of investments in highways and railroads. Investments in agriculture and resources, most of which involved the construction of irrigation projects which brought new land into cultivation, ranked second. Power production was third. Though there is much debate among economists with respect to the proper criteria for selecting public investment projects the three areas in which Mexico centered attention were clearly of a type which increased the productive potential of the public sector of the economy and which, at the same time, tended to encourage private investment in types of activities that could profit from the new public facilities.

Perhaps an even greater stimulus was given to private investment as a result of the inflationary financing followed by the government in carrying out its investment program. There was not a single year from 1940 through 1951 when the public sector of the economy did not run a cash deficit. Wholesale prices in Mexico City rose approximately 275 percent between 1940 and 1951.¹² In short, the government resorted to forced savings through inflation as a means of financing a significant part of its investment program. An important result of the inflation was a rapid rise in profits. In 1939, profits represented approximately 26 percent of net domestic product. By 1946 they had risen to 45 percent and remained well above 40 percent through 1950.¹³ In contrast, the proportion represented by wages and salaries declined from 30 percent of net domestic product in 1939 to 21 percent in 1946 and remained below 24 percent through 1950.

Even though wage and salaried workers, noncommercial farmers, and small

self-employed artisans and merchants were receiving a declining percentage of the total, the absolute amounts which they received increased. In terms of 1950 prices their incomes rose in the neighborhood of 72 percent between 1939 and 1950; whereas, profits rose about 235 percent in the same period.¹⁴ Thus, the inflation did not result in the condition of the low-income classes being worsened from year to year but rather in their share of the growing national income not rising as rapidly as the share of those who depended on profits.

The very favorable profit position which industrial and commercial firms, together with a few large farmers, have enjoyed since the early 1940's has been an important stimulant to increases in output. Undistributed profits have been a source of capital for expanding and improving productive facilities and the relationship between costs and product prices has been conducive to increasing capacity and to expanding production. Clearly, this has been an excellent environment for imaginative entrepreneurship. Although there were two devaluations of the peso between 1948 and 1954, Mexico has been able to maintain a free foreign exchange market. Thus foreign firms with new technologies and modern-minded managers have been attracted to Mexico since World War II.

The role of foreign investment is difficult to appraise. Its relative quantity has not been great but it has apparently been put to highly productive uses. The best available data indicate that 89 percent of the total investment in Mexico from 1939 to 1950 arose from domestic savings. About four percent arose from an increase in foreign liabilities, which leaves seven percent unexplained because

¹² *Bank of Mexico, Annual Report 1953, Table 6.*

¹³ *The Economic Development of Mexico, Table 4.*

¹⁴ The data for this comparison were taken from Table 2 of *The Economic Development of Mexico, op. cit.*, and deflated by the index of wholesale prices in Mexico City.

of errors and omissions in the total balance of payments.¹¹ The increase in foreign obligations is the net result of capital inflows minus capital outflows. The latter are made up mainly of profits paid to shareholders outside of Mexico and of repayments of principal and interest on money borrowed from abroad. Much of it, therefore, pertained to investments made in Mexico before 1939. Most of the foreign capital obtained in the past 20 years has been in the form of loans to the Mexican government and has been used for financing railroad rehabilitation, electric power production, and industrial projects of key importance. Without it economic growth would have been slower, partly because it was associated with improved technology and partly because it was used for the elimination of important bottlenecks in the economy.

Public Administration. Administration of government affairs is a vague term for a complicated process. But a few points about it are pertinent. First, most of the government actions which led to rapid economic growth were of three types: (a) realignments in social institutions—land reform and the organization of a powerful political party structured to give representation to the lower classes of society are examples; (b) government taking over economic functions previously left to private enterprise, as exemplified by the expropriation of the oil industry and the railroads and the rapid expansion of publicly owned electric power plants; and (c) government providing increased services and facilities in such areas as highways, schools, hospitals, and various kinds of educational programs.

Second, the great extension of government power and responsibility was not the result of an original master plan. The early leaders of the revolution

thought in terms of political reforms and were vague about the manner in which such political changes would affect the material well-being of the people. Subsequent leaders, however, inaugurated economic reforms and widened the area of government activities as explicit means of maintaining political power. In the 1920's, this appears to have been done partly in order to win the support of agricultural laborers who wanted land, partly to have a government-controlled labor movement which could be used as a whip over the heads of large companies, particularly foreign owned companies, and partly to buy the support and allegiance of important political leaders and army generals. In more recent years the provision of public services and facilities, as exemplified in the government's investment program, has been directed more specifically toward increasing the productive potential of the economy. In all instances these government activities, most of which now appear to have been growth-creating, were also vote-winning. The revolutionary party has been able to hold office by using government power to provide services and facilities which a majority of people wanted and needed. Land reform and favorable labor legislation in the 1930's were particularly important in building a savings account support for the party on which it was able to draw in the 1940's when inflation was pinching the incomes of workers and small farmers.

The wide extension of government power and responsibility could have resulted in a series of economic debacles. Instead, it appears to have resulted in progress and economic growth. From time to time there has been serious graft on the part of government officials and their associates, although as has been pointed out, this immorality appears to

¹¹ *The Economic Development of Mexico*, op. cit.

have improved the pattern of business entrepreneurship; and there have been errors and inefficiencies in the administration of public resources. Many people would argue that the oil industry would be more productive today and that the railroads would not be clogged with freight had they been left in private ownership. On the other hand, there is much evidence that public administrators in Mexico have time and time again made sound decisions and that the quality of public administration is improving. It has been of the utmost importance, for instance, that it was highways, railroads, irrigation projects, power plants, village water supplies, schools, and hospitals that have been built from the savings squeezed out of the lower-income classes by inflation—instead of elaborate public buildings which so often line the plazas of the capital cities of other Latin American countries. This is but one example which indicates that Mexican government officials, though often radical and unorthodox by United States standards, have been constructive and far-sighted when compared to other underdeveloped countries. Had public policies not been relatively wise and directed toward the long-time interests of the lower and middle classes of society, the story of Mexico's economic growth, if indeed there had been growth of any significance, would have been quite different from the course it has taken during the past 20 years.

IV. Conclusions

The preceding exploration of the manner in which a political, social, and economic revolution affected the growth of the Mexican economy has necessarily been brief and tentative. The problem is much too broad and complicated to be treated fully in an article of this nature. Nevertheless, it is hoped that the evidence which has been brought to bear on the problem shows that the revolution, through its impact on entrepreneurship, labor, capital, and public administration, provided a sufficient condition for the rapid economic growth which has characterized the Mexican economy for the past two decades. No attempt has been made to argue that it was both a sufficient and a necessary condition of economic growth.*

There may be other ways in which other underdeveloped countries can reach the level of momentum that Mexico has achieved. The Mexican experience provides only one example. It is, however, an interesting and important example which suggests that the wall which divides the societies of many underdeveloped countries into technologically advanced and traditionally oriented sectors can be broken down by proper governmental action. This is obviously a problem in realigning and reorienting deep-seated institutional arrangements. If this paper has indicated how one country changed some of these arrangements in a manner to promote economic growth, the author's aim has been achieved.

Taxes and the Conservation of Privately Owned Timber†

by WESLEY C. BALLAINE*

The Problem

ECONOMISTS have been of little help in the controversial topic of the effect of taxation on decisions which affect conservation of timber by the owners of private forest lands. This is certainly not because of the lack of stimulus from strongly expressed opinions by persons immediately concerned. Statements affirming that present or future taxes will have results inimical to conservation originate commonly, but not exclusively, with timber owners. There is also some public interest in the possibilities of taxing in such a manner that conservation is actively encouraged.

Of the many and varied reasons for the growing concern over the effects of taxation on conservation practices, three are of particular importance. The first is that taxes are becoming increasingly significant cash cost elements. This, of course, is a situation common to business as a whole and is in no way restricted to commercial forest operation. The second reason is that the value of privately-owned forests is now so high that an owner tends to be extremely conscious of the desirability of properly "looking after" his financial commitment. One aspect of this desire to "properly" manage an important asset is that he is more susceptible to tax stimuli than was the case when stumpage was relatively cheap. Also, the rapid growth of integrated operations in which giant wood-processing manufacturers own sufficient timber to provide themselves with a perpetual supply of much of their raw material is an important factor because such owners are inclined to have better cost information and to be more cost conscious than are smaller holders. The third reason is that the rising pressure on our timber reserves has made the public increasingly aware of the importance of the 74 percent of commercial forest lands now in private hands. The decisions of the owners relative to the management of these lands is continually gaining in social importance.

† This paper is largely the result of the author's participation in a conference concerning the contributions which economic theory can make to an understanding of the effect of various taxes upon decisions about conservation practices by the owners of privately-held timber lands. The con-

Despite this interest there has been little reliance upon economic theory either as an aid to explain relationships or to suggest public policy. For the most part, current discussions are emotional and, from a technical point of view, superficial. Admittedly this is a difficult area for economists because so much of the analysis necessarily rests upon incidence. Nevertheless, there are few peculiarities in the application of conventional theoretical approaches. In fact, certain aspects of the effects of taxes on conservation of timber have been adequately treated, but have not provided an analytical framework.¹

The purpose of this paper is to explore some of the reasons why economic theory has not contributed more toward an understanding of the relationships between taxation and the conservation of privately-owned timber. There will be no attempt to suggest techniques by which private timber owners can be encouraged to make forest management decisions that seem beneficial to them on the basis of their tax situation. The only problem to be dealt with is why economic theory has not made the contribution that it should make toward realizing a defensible public policy.

*Meaning of Conservation**

Much of the strong feeling associated with forest conservation has been caused by the different interpretations placed on the word conservation. Its early meaning was associated with the preservation of existing trees. From this point of view, loss of timber by fire or disease was scarcely worse than by logging. Although this meaning is clearly untenable in a world where the forest is a renewable resource, it has been the basis of much of the literature dealt with both theoretical concepts and research required to make public policy recommendations. Although he is in no sense writing a review, the writer is more indebted to the conference participants than the occasional footnotes may indicate.

Taxation of Privately Owned Timber, Proceedings of a Conference, Bureau of Business Research, University of Oregon, Eugene, Oregon, 1959, will be referred to as Proceedings.

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¹ F. R. Fairchild and Associates, *Forest Taxation in the United States* (Washington, D. C.: 1935) United States Department of Agriculture, Miscellaneous Publication No. 218, contains excellent analyses which merit far more attention than they have received.

² S. V. Gieracy-Wantrup, "Social Objectives of Conservation of Natural Resources with Particular Reference to Taxation of Forest," *Proceedings*, pp. 1-9.

from an economic point of view, it is easy to run afoul of many difficulties once we depart from the idea that conservation means a dislike for stumps. For example, imagine a situation in which a rapid liquidation of forests might be socially desirable if the resulting profits were husbanded and used for the expansion of an industry the demand for whose products was substantially greater than the demand for lumber and wood products. This might mean denuding the mountains of the Pacific Northwest of their forest cover and using funds realized for the expansion of industry in another region. It is at least arguable that if the transfer from standing timber to capital assets in the other industry were made efficiently total resources would be conserved. This definition, however, is too broad for most public policy purposes.

The currently accepted meaning of conservation of forest resources is that a forest shall be managed to insure a high and sustained yield of timber. The concept of "sustained yield" is difficult to define accurately because one soon becomes involved in descriptions of the area covered, species included, and myriad other details. The basic idea, however, is that forest land is considered similar to agricultural land and is expected to produce repeated crops with the yield per unit subject to alteration by silvicultural practices. Accordingly, conservation is not a passive concept nor a simple matter of the existence of forest conservation or its absence. Rather, it is subject to substantial variation. For the purposes of this paper, more intensive forest management (i.e., policies designed to increase yield) will be considered to be in the direction of greater conservation, and less intensive forest management will be in the direction of less intensive conservation.³

All too frequently conservation becomes involved in ethics; conservation is necessarily good and lack of conservation is bad. So far as this paper is concerned, no ethical values are to be associated with conservation. Although an increasing degree of conservation is in the public interest, it is surely conceivable that the resources devoted to conservation of a given timber stand might be used to greater social advantage in other ways.

³ For a good discussion of broad policies designed to bring about a forest economy on a continuing basis, see A. D. Scott, *Natural Resources; The Economics of Conservation*, (Toronto, Canada: University of Toronto Press, 1955), pp. 121-25.

Effect of Taxes on Forest Management

Taxes may be positive, negative, or neutral in relation to conservation. If not neutral, it is possible for them to be a very powerful force either positively or negatively because taxes and interest are often the principal cash costs of timber holding.

Many decisions made by forest owners in the management of their properties may be affected by taxes. The most obvious is the decision of when to cut. This decision also depends upon the age of the trees. Trees grow rapidly in their youth but, some years after they reach a merchantable size, their rate of growing slows and, for the stand as a whole, (an even aged stand makes analysis more simple), a stage ultimately will be reached at which the number of board feet of standing timber will at first stabilize and then decline slowly because of windfalls, rot, and other hazards associated with over-age. Changes in the cost to an owner in holding mature and over-mature timber may make a substantial difference to him in how long he delays a decision to log. Current and anticipated prices of stumpage are equally important decision determinants.

There are, in addition, many other forest management decisions. For our purposes the broad category of forest care may be divided into two subdivisions. The first relates to the protection of the trees in the stand so that they will arrive at a merchantable size and be available for cutting at the time scheduled. The second relates to methods of increasing the yield of timber on a given area of forest land.

Under the heading of protection are such common procedures as: the reduction of fire loss by construction of fire lanes, manning of lookout stations, reduction of loss from insect infestation, diseases, blights, and other similar causes of death to growing trees. If certain species of animals living in the area are controlled the trees will have a much better chance of reaching merchantable size; tree seed are eaten by squirrels, seedling trees are eaten by deer, larger trees are ringed by porcupines, and so on.

The second kind of forest management is practiced in a serious manner by only a few private owners who employ professional foresters. Virtually without exception these owners are corporations which are primarily wood processors looking upon their timber

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lands as a continuing source of raw material. Excellent results are obtained in Western Europe where intensive forestry is widespread and from those few instances in which it is used in the United States. It is probable that intensive forestry practices will expand in use if the price of standing timber continues to increase at a rate similar to that experienced during the last two decades. The sorts of activities included in this kind of forest management or silvaculture, include removing fallen timber to permit the growth of new trees, thinning the trees to reduce the number of knots when they are cut several decades later, and the planting of new trees grown in nurseries. An aspect of management which is fairly common is timing the cutting of trees so that they do not spend many years at slowing rates of growth. This means that the trees in a stand are adding more growth in each of their early years than they would if permitted to reach an age where growth rate declined. Probably the greatest potential increase in yield lies in the careful selection of seed trees and the close control of fertilization; genetics has as great a future in commercial timber production as it has had in commercial livestock production and the growing of grains.

The extensive practice of any kind of forest management may be properly considered a capital expenditure although, as will be pointed out later, this is not necessarily the legal view. Such expenditures appear to be looked upon by the owner as an investment which will return the cost plus a profit over a period of years and not as an operating expense. The line of demarcation between capital and operating expenditures is hazy at best but the fact that a return will not be realized for many years seems to make the timber owner view many forest management expenditures as though they were investment in fixed plant.

It is pointed out most emphatically that in any discussion of the relationship of taxes to forest management there are serious dangers in assuming that its nature is simple cause and effect. One of the several factors accounting for this hazard is that incidence of taxation is one of the most unsatisfactory areas of economic theory; often the final resting place of the burden cannot be ascertained. One aspect of this uncertainty is that decisions relating to the conservation of natural resources do not result from anticipations regarding

future profit in the same degree that such decisions occur in most common economic situations. The chain of logic involved is that normally taxes affect profit expectations (the anticipated effect may or may not be premeditated by the taxing authority) and profit expectations determine conservation decisions; but if conservation decisions do not respond to market stimuli, the entire case for believing that taxes do affect forest management decisions is not tenable. There are several reasons why conservation decisions do not respond to profit expectations in the same degree that other economic decisions do. One of these reasons is that the cutting cycle for most commercial species, except in the Southeastern states, is of such long duration that the element of uncertainty at the beginning of a new cycle is for many owners sufficiently great to outweigh anticipated profits. Note that the discussion here is of uncertainty and not risk. Risk is subject to probability analysis so that the likelihood of occurrence can be reduced to mathematical terms, but this is not true of uncertainty. Loss by fire might be classed as a risk whereas a continued satisfactory market in the next century for logs from a particular piece of forest land is an uncertainty. A second reason why conservation decisions do not readily respond to changes in profit anticipations is that unless the time for logging the standing timber is close at hand, the present value of returns to be realized at a distant, but indefinite, future date are exceedingly difficult to estimate.

A crucial aspect of the relationship of taxes and conservation decisions by private timber owners is that the importance of both uncertainty and the difficulty of estimating the present value of future income from forest lands depends upon the personal characteristics of the timber owner. For the purpose of illustrating the degree of difference that exists, two widely divergent kinds of owners will be used. Assuming a cutting cycle of 80 years for a stand of even age, a private individual owning timber land cannot expect to harvest more than once in his lifetime. If the time of harvest should arrive when he is 40 years of age, the next cutting is so far distant that his interest in it is not likely to be great. Moreover, uncertainty for him is so high that the task of estimating the present value of income to be realized 80 years hence is almost impossible. For contrast, let us consider the position of a large corporate

organization, the major activity of which is the operation of such closely allied wood processing plants as sawmills, pulp and paper mills, plywood factories, and particle board plants. If this corporation also owns extensive timber lands to insure a constant supply of raw materials, it is called an "integrated operation." The relatively uniform supply of logs is effected by establishing a "circle" so that some of the timber lands are always being logged but the circle is completed only once in 80 years. The corporation may expect to buy part of its logs from other sources, perhaps from the United States Forest Service, but its principal reliance will be upon its own timber. For such an owner uncertainty is relatively unimportant and the next harvest does not appear so distant that its present value is unduly difficult to estimate.

The point to be emphasized is that uncertainty and the difficulties for private individuals in estimating the present value of the future yield of forest lands are great because of the length of time required for trees to grow to the size from which the owner will realize the maximum return by cutting. On the other hand, neither factor is nearly as significant to a large integrated firm, the principal interest of which is the processing of various kinds of wood products. This explains, at least in part, why given profit anticipations do not lead to specific conservation decisions with the degree of predictability that is found in other economic areas.

Models

It is now fashionable to call the analytical procedures used in forecasting "models." These are simplified versions of the real world which, it is hoped, will respond to particular situations much as does the real world. The model may be expressed as an equation, or it may be an exact written statement of the changes that may be expected to occur in dependent variables if the independent variable is altered. A relevant model for the purposes of this paper would respond to changes in taxes with changes in conservation practices sufficiently similar to responses in the real world so that reasonably reliable forecasts could be made from the model's use. Such models have not been constructed. Without models that can predict with a high

degree of reliability, contributions of theory can have little effect upon public policy.

The crux of the question with which this paper deals is why successful models have not been developed in this area. A brief description of an appropriate model including the relationship in which we are interested will be given so that the point of weakness can be isolated. There are three basic elements to such a model: (1) *The kinds of taxes which may affect conservation decisions.* These will be reviewed in the next section. (2) *The forest management practices that can be affected by a timber owner's responses to tax stimuli.* These have already been briefly indicated. (3) *The timber owners who react to taxes.* They will be discussed in the section following taxes.

Taxes That Affect Conservation Decisions

There are many different kinds of taxes that may affect the decisions of timber owners regarding the forestry practices they adopt. The broad groupings given below do not include all forms of such taxes, but they do cover most of the important ones.

1. *The Real Property Tax.*⁴ This is usually based on an appraisal of both the land and the timber which means that the valuation base should be increased periodically to allow for growth of the stand or lowered to allow for decreases from logging. It is also possible for the tax to be placed only on the land in the same manner that agricultural land is taxed without including the crops which are produced upon it.

This tax has been poorly administered in the past, principally because good and poor forest lands were given the same valuation and because the timber was inadequately cruised when it was included in the tax base. In recent years the assessed value of land and timber has been increased very substantially until in some jurisdictions (e.g., Oregon) it approaches true market value. This has given the property tax significance as an influence upon forest management decisions in those particular jurisdictions. The effect is the same as for any other fixed cost except for possible increases in the tax base made as the stand increases.

⁴For the nature of property taxes as applied to timber holdings, and certain implications, see Fairchild and Associates, *op. cit.*, Ellis T. Williams, "The Property Tax on Forest Land and Timber," *Proceedings*, pp. 61-72; A. D. Scott, "Taxation as a Tool for Accomplishing Social Objectives in Forest Management," *Proceedings*, pp. 17-27.

There are innumerable variations and modifications of the property tax as it applies to forest land and timber. One of these is the separate classification of timber land which is producing "second growth"; this classification is usually favorable to the timber owner in order to encourage him to re-stock his land after it has been cut over. Although this sort of provision is found in the laws of many states, it is not extensively used both because of weaknesses in laws and difficulties in administering them. Another modification which is often found in conjunction with the classification of forest land provisions, is to permit postponement of the payment of property taxes until the stand is cut, a provision which can result in the property tax shading into a yield tax.

2. *Output.*⁵ Although both severance and yield taxes are paid at the time the standing timber is cut, their origins and purposes differ. The yield tax is basically a deferral of the property tax whereas the severance tax is an adaptation to forestry of a tax common in mining. These taxes become either taxes on net receipts or marginal costs depending upon whether or not the particular stand under discussion is a part of a unit large enough to manage on a sustained yield basis.

3. *Inheritance Taxes.*⁶ These may be important determinants of a decision to cut if they result in a sudden demand being placed on an estate or the heirs to pay a substantial sum of cash in excess of what is available. Such situations may involve proprietorships, partnerships, and closely held corporations, but not publicly held corporations. Whether or not a sudden and unexpected need for cash to pay estate and inheritance taxes will result in clear cutting a merchantable stand of timber that has not yet reached maturity depends upon the market for forest land and the availability of forest credit. If the necessary money can be obtained by borrowing or by selling some of the land, with standing timber on it, the trees may be held to maturity. However, the market for forest land is very

imperfect and the availability of forest credit varies both geographically and recurrently.

The possibility of clear cutting immature timber at some indefinite time in the future in order to meet inheritance taxes would appear to operate against adopting many kinds of forest management. Relatively little is known about the effects of inheritance taxes on forest conservation.

4. *Capital Gains.*⁷ The importance of capital gains taxes is in the fact that income so classified pays a much lower rate than other income. This gives the taxpayer a powerful motive to classify as much of his income as possible in this category.

Prior to 1944, a timber owner had to sell his timber outright in order to establish a capital gain. However, the 1939 Internal Revenue Code was amended in that year by Section 117 (K) (1)⁸ which permitted the owner to "sell" timber to himself and establish a capital gain if the timber was to be processed in his own plants ("he" is a corporation in almost all cases). Since there was no transaction it was necessary to establish a price for purposes of determining the amount of the capital gain. Frequently this could not be done objectively because of the absence of satisfactory criteria; the pressure was great to place this "sale" value as high as possible within defensible limits in order to classify the maximum proportion of income as capital gains. Moreover, the owner was permitted to treat expenditures for timber production as operating expenses, rather than capital expenditures, allowing them to be charges against the high-bracket income of an integrated plant. A similarly worded provision (631 [a]) which is currently in force was incorporated into the Internal Revenue Code of 1954.

The special treatment of forest expenditures considerably increases the proportion of the income of an integrated firm that is subject to the preferential capital gains tax. It gives a powerful stimulus to the acquisition of timber by an integrated firm because the expenditures made on forest management are treated as operating costs. Normally, expenditures

⁵ For details about these taxes and some economic implications, see Robert Campbell, "Forest Yield and Severance Taxes," *Proceedings*, pp. 47-52; Fairchild and Associates, *op. cit.*; Ralph Marquis, *Forest Yield Taxes* (Washington, D. C.: United States Department of Agriculture Circular 899, 1935).

⁶ See Murray R. Benedict, "Inheritance Taxes," *Proceedings*, pp. 35-40, and discussion, pp. 41-46; Resources for the Future, Inc., *Forest Credit in the United States, A Survey of Needs and Facilities* (Washington, D. C., 1957), pp. 86-87.

⁷ The only discussion known to the writer on the nature and implications of this tax is Walter J. Mead, "The Impact of Capital Gains Taxes on Timber Resource Utilization," *Proceedings*, pp. 81-89.

⁸ 58 U. S. Statutes, 57; Sec. 208, Chapter 63, Act of February 25, 1944. This legislation also covers certain mining and natural gas properties.

made on an asset, the profit on the sale of which will be treated as a capital gain, are charged against the capital gain. But if the firm is an integrated timber grower and processor, the cost of forest management can in effect be charged against the profit of processing (upon which a 52 percent tax is paid if the firm is a corporation) which enables it to classify a large part of its income as capital gains.

5. *Personal and Corporate Income Taxes.* Both of these taxes are germane to this discussion only to the extent that they reduce the total earnings, a portion of which might be plowed back into forest management if the decision makers of the firm decide to do so.

Timber Owners and Taxes

The position of this paper is that the construction of satisfactory models of the relationship between taxes and conservation is precluded by the lack of information about the proportion of various kinds of forest land tenure in different areas. Without adequate knowledge of the tenure mix, we cannot forecast the effect of a particular tax upon decisions regarding forest management because differently situated timber owners will react according to what appears rational from their particular position. These reactions may be so varied that prediction is impossible because the relative importance of the kind of timber owners in the mix is unknown. Since timber owners are not homogeneous from the point of view of response to tax stimuli, we cannot devise a model for timber owners in general without careful weighing of each group constituting the aggregate.

It is clear, upon inspection, that the various taxes described above will not affect all timber owners with equal intensity. Inheritance taxes affect individuals, including closely held corporations which may be virtually indistinguishable from the private property owners, but they do not affect large corporations the stock of which is widely held. Capital gains tax benefits are much more likely to figure significantly in decision-making if the timber owner is a large integrated firm other than a farm woodlot owner. An increase in the property tax may lead an individual whose timber is of merchantable size to clear cut his stand whereas a corporate owner (especially if it is an integrated firm) may elect to practice more intensive forestry to insure an increased

yield from the property which will pay for the higher taxes.

Surprisingly little information exists about the tenure of owners of privately-owned timber lands.⁹ This is partly because information about the size of holdings has been collected for purposes other than the reaction of timber owners to their tax situations. A possible start in this new direction has been made for small individual holders in a methodological study by W. A. Christensen which intensively investigated three townships in eastern Broome County, New York, and cursorily studied five other New York counties.¹⁰ The locale of the study necessarily limited its coverage to small holdings. Its purpose was to consider the "questions of (1) how to determine what forest owners do with their forest land, and (2) how to determine why they act as they do . . ." ¹¹ To the extent that the techniques used for answering the second question are applicable to ascertaining reactions to tax stimuli, it is a development of importance to the problem considered in this paper.

A closely allied weakness to the analysis of the reaction to timber owners to taxation is the almost complete lack of knowledge of why private owners of timber lands buy and sell such properties. Without knowing something of the reasons why they hold timber land and then sell it we have great difficulty in constructing a model of how they will respond to tax changes.

If the methodological approach suggested by Christensen should provide adequate and accurate information about the motivation

⁹ Thomas C. Adams, *Marketing of Farm Forest Products: Thirteen Western Oregon Counties*, Corvallis, Oregon: Agricultural Experiment Station Bulletin 567, Oregon State College, January 1959.

Harold L. Baker and Adon Poll, *Area and Ownership of Forest Land in Humboldt County, California*, Forest Survey Release No. 16, California Forest and Range Experiment Station, November 1952; and *Ownership and Use of Forest Land in the Redwood-Douglas-fir Subregion of California*, California Forest and Range Experiment Station Technical Paper No. 7, June 1954.

Paul E. Malone, *Instability of Forest Land Ownership in Western Oregon and Washington 1932-1947*, Pacific Northwest Forest and Experiment Station, Research Paper No. 1, Portland, Oregon, June 1948. (Mimeographed)

Also, H. J. Vaux and M. R. Benedict, *Proceedings*, pp. 42 and 43.

¹⁰ W. A. Christensen, "Methodology for Investigating Forest Owners Management Objectives," unpublished Ph.D. thesis, New York State University, College of Forestry, Syracuse, New York, 1957.

¹¹ *Ibid.*, p. 12.

of various groups of timber owners when applied on a large scale, a classification appropriate to the purposes of this paper might be along the following lines:

(I) Owners of timber only: A. Woodlot holders (up to 25 acres). B. Holdings sufficiently small that management planning will not extend beyond life of present owner (25 to 5,000 acres). C. Large holdings (above 5,000 acres.)

(II) Timber owned by a mill, or timber and mill having common ownership: A. Small companies whose planning does not extend beyond life of present owner (up to 5,000 acres). B. Large mill, but timber holdings too small or too distant to constitute an adequate source of raw material. C. Large firms with adequate timber holdings to insure continuity of supply the stock of which is widely held by the public. D. Large firms (etc.) the stock of which is closely held.

The reasoning behind this classification will be given, although we can do little but speculate about what a classification ought to be without adequate empirical studies. The basis of the tentative grouping is obviously that of motive. A reasonable

hypothesis seems to be that the motives of holders whose profit will be realized only by the sale of timber will be different from those whose anticipated profit will arise from an integrated operation which includes both timber holding and manufacturing. Each of these two main categories can be subdivided, again utilizing what appears to be reasonable assumptions about motives, principally on the basis of size. The appropriate number of classes and the class descriptions can be ascertained only with careful field work. A more rational basis than acres would probably be total board feet, or number of board feet added annually to stand by growth, or value.

Not until information has been collected which will permit a classification of timber owners by response to specific taxes can a start be made toward building satisfactory models. The model must allow for the varying reactions by different groups. Also, the importance of each group must be weighted if the model is to be used for the purpose of producing an accurate aggregate forecast of the effect of taxation on the conservation of privately-owned timber.

Reports and Comments

Economic Growth—The San Diego Case

A RECENT announcement to the effect that the population of San Diego County has passed the one million mark, and that the city of San Diego now has a population of 554,000,¹ has aroused various contradictory hopes and fears among the population. On the one hand, real estate promoters who take pride in large numbers welcome the news and are already discounting at a higher valuation their holdings of real estate, or are planning additional subdivisions of the waste lands and desert areas. On the other hand, those who had hoped to find a quiet life, free from the stresses and strains, in a healthful and stable community, are filled with dismay as their peace is encroached upon. This latter group are banding themselves together in community associations to protect themselves and their property from the continued encroachments of those seeking to erect dwellings for sale and for rent. It is acknowledged by the mayor, and by some of the city fathers, that the present course is tending in the direction of high social costs, a trend that has already brought disaster close to Los Angeles and to many other communities in Southern California. The coming of the giant concern to San Diego has brought in its wake instability of employment, high taxes, and costly social problems. The major issue that presents itself is how can San Diego avoid the miseries that are already overtaking the inhabitants of neighboring California cities.

The situation is not new to San Diego. It is a fact that the community during the past seventy years has been under a severe attack of a growth stimulus administered to the semi-conscious patient by the "interests." In the period from 1889 to the end of the 1920's it was the Spreckels "interests";² since 1941 it

has been the corporate "interests" owning Consolidated Aircraft, presently General Dynamics.³ Associated with these large interests have been clusters of smaller business establishments which have been more or less sheltered under the wings of the large capitalists. In the case of Spreckels it was a personal shelter and a general individual oversight; in the case of General Dynamics it is an impersonal shelter; the corporation is a large organization of officers and stockholders without attachment to San Diego, or to the community's social life, and seeks its profit in national and international operations. San Diego is living under a regime of the impersonal, in contrast to its previous existence under the watchful eye of a financial overlord to whom a personal plea for preference and for clemency could be made. The impersonal, matter-of-fact attitude of the giant corporation is changing the economic and social foundations of the community.

Under the Spreckels regime San Diego aimed to become an international tourist and health resort. The wealthy would have their headquarters at the Hotel de Coronado; middle-income families would find accommodations at the various beaches and villages, and the sick and ailing and people with modest incomes would make up the largest number of residents. It was not expected, generally, that the wealthy recreation seekers would make their permanent homes in San Diego; they were expected to make their profits elsewhere and to spend them in San Diego. The scheme was planned to provide a pleasant community for the permanent

¹ *Moody's Industrial Manual, 1959*, p. 845, gives the following information about General Dynamics: It was incorporated in Delaware on February 21, 1952. In that year Electric Boat Company was merged with General Dynamics; in 1954 Consolidated Vultee Aircraft was acquired; in 1955 Stromberg-Carlson, and the Liquid Carbonic Corporation in 1957. In 1958 it acquired three Mexican firms and built the Hopkins Laboratories and Astronautics (a missile plant) in San Diego. It has also acquired a large building supply company.

² *San Diego Union*, July 30, December 27, 1959.

³ Spreckels, in this respect, refers also to those leaders who went along with John D. Spreckels and his ideas about the development of the community, such as the Marston and Scripps families.

residents and a highly satisfactory return on local invested capital. It was a regime of a few large non-manufacturing establishments and many small businesses, most of them of a service nature; of peace and stability; of recreation and quiet enjoyment. The naval base which was established in San Diego at the time of the Spanish-American war encouraged the working out of the scheme since the money was brought into San Diego from outside of the city and was therefore similar in its effects to the sums spent by tourists. The entrance of new large competitive business was opposed and even fought bitterly if they threatened the profits of one of the various Spreckels enterprises—but if they were small and catered to the whims of the tourists or of the naval establishments they were approved and even encouraged.

The new dispensation of General Dynamics is entirely different. It is the sixteenth largest employer in the United States with plants in many parts of the country and with headquarters in New York City; Convair and Astronautics at San Diego happen to be two of its plants. One employee in four in San Diego works directly or indirectly for General Dynamics. The firm is engaged in part, in activities based on advanced science; in work upon missiles, electronics, and research. Other and smaller firms have trailed after General Dynamics and have established themselves in San Diego to engage in various aspects of electronics work.

It has been a boom time. In 1939 there were 294 manufacturing establishments in San Diego, employing 6,016 persons; in 1958 there were 700 employing 71,070. The value of manufactured products increased four and a half times between 1947 and 1956, the most rapid increase of any major industrial area in the United States.⁴ Agricultural production in value terms, electric power sales, and bank debits, are all up. Construction proceeds apace; it was 102.7 per cent higher in value in 1958 than the 1947-1949 average and the first half of 1959 exceeded previous records.⁵ The civilian labor force grew from 180,800 in 1949 to 276,600 in 1957, and employment in the aircraft industry from 13,500 in 1949 to 51,300 in 1957. In retail trade, services, wholesale

trade, and government employment, the number of employees is considerably above the figures of 1949.⁶

It has been a rosy period for finance, too. Mortgage lending has gone up to "fantastic levels"⁷ and finance, industrial, and mercantile firms record one year of good earnings after another. "The dynamic growth trends of San Diego have applied equally to the banking field, and there has been an eight-fold increase in deposits since 1940," a leading bank reports.⁸ The spirit of big finance has permeated the community and few of the families but expect that some of the gains will somehow fall to them. Associated with these expectations, of course, has been a considerable rise of self help in the form of speculation in real estate, stocks, and commodities.

A comparison of the many years of development of the tourist and resort business under the Spreckels regime with the recent pace of industrial growth under General Dynamics might lead some to conclude that the latter state of affairs would necessarily result in a greater rate of growth. But this does not appear to be the case. The rate of growth since 1940 has been at about two-and-a-half percent of a year which is not much different from the estimated growth of the years prior to 1940.⁹ This is to indicate that if San Diego had continued along the path outlined by the Spreckels interests it might have had about the same rate of growth that it has had under General Dynamics. However, the training, cultural patterns, and attitudes toward work of the population would have been much different. In the Spreckels regime the population was trained for service; under General Dynamics it is trained in mechanical processes.

It is, however, mainly in the area of questions of status, of loyalty, of personal observances, of felt community obligations, that the differences in the regimes stand out. During the Spreckels days the questions of status and loyalty were settled by the pronouncements of the leader; and personal observances and community obligations were

⁴ Frederick L. Ryan, *A History of the San Diego Labor Movement*, (Bureau of Business and Economic Research, San Diego State College, 1959), Appendix.

⁵ Union Title and Insurance Company of San Diego, *Trends*, Vol. 8, No. 1, January 1959.

⁶ First National Trust and Savings Bank of San Diego, *op. cit.*, p. 15.

⁷ *Ibid.*, p. 8.

⁸ First National Trust and Savings Bank of San Diego, *Annual Report*, 1958, p. 13.

⁹ *San Diego Union*, July 2, 1959.

such as he might decide were well and good. But the men of science, the managers and administrators, the engineers and technicians of General Dynamics have no personal loyalties to give to a local chieftain; their status is decided in a businesslike way within the grades of the corporation hierarchy; nor do they have the personal observances or community obligations beyond those that are ordinarily required from citizens of the area. It is all matter-of-fact and business-like. Of course, they may at any time be moved away from San Diego to other plants of the corporation; moreover, should they take an active part in community affairs, they may be reminded that their prior obligation is to the corporation.

What have been the effects upon the community of the coming of this large manufacturing establishment to San Diego? What have been the effects of this quite rapid change in community direction and effort? It is probably somewhat too soon, as yet, to judge the full working-out of the effects but some preliminary assessments may be made with the following criteria in mind: Has the coming of the large establishment added to the economic welfare and economic security of the average citizen as compared with his situation under the Spreckels regime? Has the large firm improved community facilities or has the community physical structure deteriorated under its regime? Has it added to the culture of the community by bringing additional knowledge and advanced thinking within the grasp of the people—in other words, is it causing to arise a better educated, better informed, and a more proficient populace?

On the first of the criteria, it is very difficult to give a definite answer. San Diego has been a prosperous community, on the whole, since 1890. It has felt the ill effects of depressions but wage rates have been higher than the national average. The coming of the large firm has not changed these effects. San Diego felt the depression of 1957-1958 when manufacturing output declined 14.6 percent. As the admirable report of the First National Bank of San Diego explains it: "This downturn was attributable primarily to developments in our large aircraft industry, wherein government stretchouts in defense spending caused declines in production and

employment at local plants."¹⁰ Without raising questions as to who benefited from this depression, if anyone, and why it was brought about, i.e., the parallelism of forces that converged to bring the slump, it seems pertinent to point out that it is unlikely that the effects would have been so great if San Diego had been the "vacation land" which it had been in prior years. It is true, nevertheless, that although the unemployment ratio rose to 5.4 percent in April 1958, this was about two percent below the national average. The plants kept the bulk of their labor force on the payrolls because they expected orders to increase in the future. As a result, personal income and disposable income rose even in 1957-1958 and average weekly factory earnings increased from \$93.77 in 1957 to about \$108.00 in the final six months of 1958, which made San Diego's factory earnings among the highest of the nation's metropolitan centers.

These are all indications of a prosperous community but one of questionable economic stability. The question commonly brought to the front is, "What happens to us if peace breaks out"? And no clear-cut answer appears to be forth-coming. No definite plans have been made to diversify industry; no definite plans have been announced to maintain full employment for the airframe workers who are in imminent danger of losing their jobs as the government cuts back its contracts. Fully 70 percent of these workers, it is estimated, rely for their employment upon these contracts. Moreover, with prosperity has come higher costs. Interest rates and rents are rising and real estate values have been driven up. Retail sales values have continued to rise but there is some evidence that credit is being extended at a more rapid rate than the rise in the rates of sales and some warnings have been given about the increasing debt. The economic dependency of the community upon financial support of the federal government has a disadvantage in that appropriations of the defense department may go to some other area of the United States rather than to San Diego. Very recently, competition between eastern plants and San Diego plants for defense department contracts came to light and threw an additional element of danger into the minds of the citizenry. And on this point, at least,

¹⁰ *Ibid.*, p. 12.

the good people of San Diego have to watch what both hands are doing since General Dynamics operates on a national level and is interlocked, directly and indirectly, with many financial and manufacturing interests and even with other aircraft companies; consequently, if government contracts are granted to eastern companies, General Dynamics may make money but San Diego may become a depressed area. It should be noted, in this respect, that General Dynamics owns little in the way of physical properties in San Diego—its plants and equipment are held under lease or rent and it loses little or nothing on this score if it closes up shop and moves away. It enjoys a high degree of mobility, as economists say.

On the second of the above criteria, there is something to be said on both sides. Having given their all to one of the great corporations, the people of San Diego find themselves with certain assets and liabilities. On the assets side are: (a) General Dynamics is a profitable corporation with a profit record as consistently high as other major companies.¹¹ This should indicate that San Diego is not likely to suffer from the financial failure of its leading company. (b) General Dynamics is a progressive company in terms of its willingness and ability to invest in plant. On this score it has kept up with its competitors. (c) Its sales record has been very good; growth in sales has been remarkable and San Diego has been hitched to a kite that has been going up. (d) General Dynamics is in one of the most advanced technological fields; its products depend upon man's intelligence rather than upon wealth of physical resources; its emphasis is upon research rather than upon conventional products and procedures. It employs a large number of technicians and professional people who make up a new middle class in San Diego. The mass of employees, airframe workers and mechanics, are skilled and industrious; and the Machinists' Union, which represents them, is upright in its conduct and progressive in its attitude and insists upon job protection for its members. It is, in fact, a type of industry and personnel that fits quite well into the San Diego scheme, which lacks great advantages in natural resources and which has always had a fairly large middle class.

There are, however, a number of disadvantages that must be taken into account in the social balance sheet. (a) San Diego has lost the great advantage that it once had in the personal supervision and tutelage of John D. Spreckels who not only directed the affairs of the community but who also spent his money in the city. The profits that he made locally he reinvested in the area. The case is different with General Dynamics, an absentee owner. Its board of directors and officers center their activities in New York City. They are financiers and industrialists in the larger financial groups. At one time the corporation was associated with the Victor Emanuel financial combine which had inter-locking arrangements with banks, investment trusts, and major corporations in steel, aircraft, and other industries. These financiers engage in financial operations that are common enough in *haut finance* but that are alien to San Diego business. The late president of General Dynamics made \$1,190,000 in paper profits in stock options in General Dynamics stock and Frank Pace, Jr., while a high officer in General Dynamics, made over one million dollars in stock options in his company.¹² These profits are, of course, additions to the salaries and retirement funds and other emoluments that come to high officers. No criticism of these practices is thought of or intended but it does appear, on the face of things, that a considerable part of the profits of General Dynamics finds its way back to New York City. On the other hand, John D. Spreckels was not merely using the community—he sought the advancement of the city as well as his own fortunes.

(b) San Diego has lost its sense of direction. With Spreckels at the helm the community was steered in a definite direction and a major effort was made to make it an economically balanced and stable community. But now it is a "company town" with its employment and revenue hitched to the fortunes of General Dynamics. The advantages of this arrangement are discussed above but it will be recalled that the stability of the economic life of the community is precarious, as was shown in 1958, when unemployment rose sharply because the government reduced orders to Convair. In the long-run the wel-

¹¹ Standard and Poor's Industry Surveys, *Aircraft*, May 21, 1959, Sec. 2, p. A20.

¹² J. A. Livingston, *The American Stockholders* (New York: J. B. Lippincott Co., 1958), p. 228.

fare of the community depends upon General Dynamics' success in enlisting in its enterprises its share of the scientific and technical personnel of the country but there are no indications that the corporation's management is more than ordinarily endowed for this enterprise. In fact, from the newspaper reports about the testimony of the corporation's officers before the House Armed Services Subcommittee it is doubtful whether or not they are able to recognize the contribution of science.¹³ The testimony was replete with strange mythological references. However, the aim may have been to throw Congress or the public off the track for business reasons.

(c) There is evidence that a high social cost has been thrown upon the community by General Dynamics—a cost that was almost completely absent under the Spreckels regime which consciously avoided large-scale industrialization. Merely to list these social costs will indicate the price that is being paid by the community: Polluted air and water; traffic congestion; traffic accidents and fatalities; unplanned subdivisions; loss of seaside developments; inadequate hospitals and community facilities; high cost of taxes, rent, interest, and land; loss of planned recreational areas and green areas around the city; destruction of beauty spots by bulldozers engaged in flattening the land for subdivisions; one crisis after another in education, social services, and morals; rise of commercialization, mechanization, and speculation; increase in noise, dirt, trash, and litter; loss of amenities by freeways cutting through city and suburbs. No attempt will be made here to evaluate these social losses but they are tremendous in amount and are undoubtedly far greater in total than any imagined advantages to the ordinary citizen that could have been brought to the community by General Dynamics. In other words, it is a net loss and it is not progress unless progress is interpreted to mean an increase in social cost which means, in effect, long-run social suicide.

With respect to the third of the criteria, there is grave doubt as to how it will come out, especially in the long-run. It can be argued that General Dynamics, with the aid of the community and the new University of

California at La Jolla, will train its own scientists and technicians and this appears to be the long-run plan but there is no requirement that such personnel, once trained, will remain in San Diego. Indeed, why should they, if there are superior opportunities elsewhere? Moreover, a decadent community is not a good recruiting ground for scientists; it is hardly to be expected that neophyte scientists and technicians of the highest quality will arise from the ashes of communities that are being destroyed by high social costs. It is notoriously true that a poor environment results in a poor product. Why should an exception be expected in the instant case? Whatever the summation of pros and cons that may be given to the first two criteria, on the third there appears to be little doubt. It is in the negative, the evaluation shows.

Lest it be thought that too much weight has been given to social cost in the above evaluation a quotation from an indubitable authority in the matter may be cited. The quotation is especially pertinent to the San Diego case, since the issue is the welfare of the many in San Diego relative to the profits of the few absentee owners. A number of years ago, Alfred Marshall wrote:

"If a capable builder sets up houses all of a rental of £200 a year on a certain piece of land, his own interest will lead him to adapt them to the requirements of his future customers. But suppose he is to build two classes of houses, one of which will accommodate twenty people to the acre, while the other will accommodate two hundred to the acre; and that one part of his ground is healthy, while the other is unhealthy; then his private interest will lead him to put the denser population on the unhealthy ground. For the well-to-do people will generally pay a higher percentage of increase in rental or purchasing price on account of a favorable soil than working classes will. But, from a social point of view, the health of two hundred of the working classes is of more value than that of twenty of the well-to-do persons; unless indeed some of them happen to be of exceptional mental quality."¹⁴

Within recent times social costs have been measured in many ways in addition to the measurement suggested by Marshall but with the above clear statement of the economics of

¹³ *San Diego Union*, August 4, 6, 1959.

¹⁴ *Industry and Trade* (London, England: Macmillan and Co., 1923), pp. 45-46.

the case, it is difficult to see how political bodies which have the matter in hand can overlook the high social cost involved in the present situation and avoid taking the steps that would relieve the population from its

uncertainties concerning its future welfare.

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Urban Economics: Some Lessons from Gertrude Stein

WHEN, after a long discussion, Ernest M. Fisher concluded by saying that the economic base of a city is the sum of the activities that give rise to incomes within the city, one of his students exclaimed that such a definition was no better than Gertrude Stein's "Rose is a rose is a rose is a rose."¹ The moral of this story, as we shall attempt to show, is that Professor Fisher was right and that Gertrude Stein inadvertently provides us with a shrewd criticism of some current theories of the "urban economic base." In fact, there is no base; there is only an economy. Hence, it is useful to say quite simply "an economy is an economy is an economy."

The contrary conclusion—that there is some definable "base" to an urban economy—has rested typically on the idea that a city's "export" industries are its economic foundation and that the future growth of employment or population in any city can be related in a predictable way to the growth of its export industries. According to this theory, non-export industries (called "non-basic") live by servicing export industries (called "basic"); and employment in the former bears a fairly fixed ratio to employment in the latter. It follows that if we can predict basic employment we can also predict nonbasic and hence total employment (or, by extension, total population).

The basic-nonbasic theory has been expounded, refined, and criticized at length²

and it is not my intention to go over the whole ground again in this paper. Instead, I should like to analyse selected aspects of the theory and then suggest why my comments have implications for urban economic studies generally.

I should like to start by considering the simple question of whether the basic-nonbasic theory works. If it does work then it is very useful, just because it is so drastically simplifying. For this theory, if it works, enables us to narrow our problem most conveniently. We can predict the growth of a city's economy (measured by employment or population) by looking only at prospects in its export industries while ignoring all its other economic activities, which would indeed be more troublesome to deal with anyway since on the average they are certain to consist of smaller and more numerous firms than does the export sector. Moreover, if the theory works, we have no reason to doubt its validity, since the test of a scientific theory is whether it yields correct predictions about observable phenomena.

Testing the Basic-Nonbasic Theory

Oddly enough, no attempt was made to verify the basic-nonbasic theory until 1957.³ Indeed, direct verification would be difficult. If an analyst had used the theory in 1940 to predict New York City's population in 1950

¹ Gertrude Stein, "Sacred Emily," *Geography and Plays* (Boston: The Four Seas Company, 1922), p. 187.

² The idea that urban activities could be divided into two classes, one primarily export, the other mainly service, has been traced back as far as Frederick Law Olmstead who stated it in a letter quoted by Robert M. Haig and Roswell C. McCrea, *Regional Survey of New York and Its Environs* (New York: The Regional Plan of New York and Its Environs, 1928), Volume I, p. 43. However, Haig and McCrea rejected this criterion in favor of one based broadly on comparative advantage in the use of land.

Homer Hoyt developed and made the first practical applications of the basic-nonbasic idea in his work at the FHA in the 1930's. He then outlined the method in Arthur M. Weimer and Homer Hoyt, *Principles of Urban Real Estate* (New York: The Ronald Press, 1939). Soon afterwards he

applied the method in a study of the New York area for which project he was Director of Economic Studies: *The Economic Status of the New York Metropolitan Region in 1944* (New York: The Regional Plan Association, 1944). Thereafter the method was applied, both by Hoyt and others, to many other United States cities. For an extended refinement of the concepts involved see Richard B. Andrews, "Mechanics of the Urban Economic Base," a series of articles in *Land Economics* beginning with the issue of May 1953.

For a thoroughgoing criticism of the basic-nonbasic concept see Hans Blumenfeld, "The Economic Base of the Metropolis," *Journal of the American Institute of Planners*, Volume XXI, No. 4.

³ At least I have found none before R. W. Pfouts, "An Empirical Testing of the Economic Base Theory," *Journal of the American Institute of Planners*, Volume XXIII, No. 2.

he would have missed the mark for many reasons including failure to anticipate the sharp rise in the birth rate between those dates.

But a simple indirect test of the theory is available. The key to the basic-nonbasic scheme is the assumption that the ratio of nonbasic to basic employment will be constant for the time period in question. If the facts do not warrant this assumption the theory cannot give accurate results, except by accident. In fact, as we shall show below, what might appear to be rather small variations in the ratio can cause very large errors in an employment prediction.

In 1957 R. W. Pfouts of the University of North Carolina's Urban Studies Center attempted an empirical test of the basic-nonbasic theory. He came to the rather definite conclusion that the evidence contradicted the theory. But unfortunately the story does not end there. Pfouts was vague in stating what theory he was actually testing. At least, if he had some definite and consistent theory in mind he did not succeed in making it plain either to this reader or to his subsequent critics. As a result, Britton Harris (who has elsewhere himself criticized the basic-nonbasic approach) published a criticism of Pfouts' test.⁴ He concluded that Pfouts was not testing the base theory as it is usually known and that what he should have done was to test the proposition that the service-base ratio is constant since that is the key proposition in the commonly accepted version of the theory.

⁴ Britton Harris, "Comment on Pfouts' Test of the Base Theory," *Journal of the American Institute of Planners*, Volume XXIV: No. 4.

But the story does not end here either. With the statement that he was willing to expose his own research failings, Harris went on to present an alternative empirical test and concluded that it verified the constancy of the ratios. Confusion worse confounded, his test also was ambiguous, and it remained for Pfouts, in a rejoinder,⁵ to point out that Harris' own data in fact showed that the ratios varied considerably over time. Thus Pfouts claimed to have proved that Harris had proved what Harris had claimed to have proved that Pfouts had failed to prove.

In any case, Harris' data do show that service-base relationships for 67 selected Standard Metropolitan Areas were far from constant between 1940 and 1950. Below we have selected a few of his data to show the kind of variation one encounters. In place of a ratio of service to basic employment Harris uses a multiplier defined as total employment divided by basic employment. This multiplier (which equals the service-basic ratio plus one) is the number by which one would multiply a change in basic employment to find the resulting change in total employment according to the basic-nonbasic theory. (See Table I.)

We included Philadelphia in Table I because its multiplier showed by far the largest change among the 67. In fact, basic employment in Philadelphia fell 14% between 1940 and 1950 while total employment was rising 23%. Of course, the change in the multiplier was much smaller in most instances. However, there were several other cases, including Boston, in which the multiplier (which the

⁵ *Ibid.*, R. W. Pfouts, "Reply to Harris on Testing the Base Theory."

TABLE I

Standard Metropolitan Area	Employment (thousands)		Multiplier		Percent Change 1940 to 1950 in:		
	1940	1950	1940	1950	Employment	Multiplier	Service-Basic Ratio
Boston-Lawrence-Lowell	936	1,113	4.26	5.13	19	21	27
Philadelphia.....	1,165	1,438	4.90	6.99	23	43	54
Buffalo.....	330	424	4.17	4.63	29	11	15
Detroit.....	887	1,192	2.97	3.19	34	8	12
South Bend.....	59	86	3.06	2.84	46	- 7	-11

basic-nonbasic theory assumes to be constant) changed more than employment (which the theory assumes to be variable). Among the 67 SMA's tested by Harris, 46 showed changes in the multiplier of less than 15%. But of these 46, only 26 showed changes of less than 10%. Moreover, it should be noted that for a given percentage change in the multiplier in either direction there is always a greater percentage change in the service-basic

ratio. This follows necessarily from the definitions involved.

Suppose one had been asked to forecast total 1950 employment in 1940. Assume, moreover, that one had had perfect foreknowledge of the trend in basic employment. How would the forecast have turned out if constant service-basic ratios had been assumed? Table II shows that in many cases it would have turned out badly, indeed. In

TABLE II—HYPOTHETICAL FORECAST OF 1950 EMPLOYMENT

Standard Metropolitan Area	Actual Basic Employment (thousands)		Actual Total Employment (thousands)		Predicted Total Employment (thousands)	Percentage Change in Total Employment		Percentage of Error*
	1940	1950	1940	1950	1950	Actual	Predicted	
Boston-Lawrence-Lowell.....	220	217	936	1,113	924	19%	-1%	-17%
Philadelphia.....	238	206	1,165	1,438	1,009	23	-14	-30
Buffalo.....	79	92	330	424	382	29	16	-10
Detroit.....	299	373	887	1,192	1,108	34	25	-78
South Bend.....	19	30	59	86	93	46	57	

* The difference between predicted and actual total 1950 employment, divided by the latter.

reality, of course, one would have had to predict, rather than take as given, the change in basic employment which would have introduced a further large element of error not allowed for in Table II.

A More Sophisticated Employment Model

Several recent writers have classified as "naive base theory" those systems that rely on an assumption of constant or "normal" service-basic ratios. They have noticed a definite tendency for large cities to have higher service-basic ratios and for the ratios for most cities to increase as the cities grow. These facts can be neatly combined into a more sophisticated base theory.

C. M. Tiebout, for example, has proposed as more realistic a model in which for each city there is an equation giving the "true" service-basic ratio as an increasing function of employment.⁶ It is not assumed that the ratios are the same for all cities of equal size. On the contrary one would expect the ratio to be related to the nature of the city's economy.

At any particular moment the observed ratio need not be at the "true" level because time is needed for adjustments to work them-

selves out in the city's economy. But when the necessary time is allowed, service employment will adjust itself to basic employment at the "true" level indicated by the function for that volume of total employment in that city.

To verify such a hypothesis we would need annual Census data for many cities over a period of many years. The virtue of the original base theory was that it purported to be a research short-cut. It was developed by Homer Hoyt precisely to be such a device.⁷ But as economists have refined the theory the effort required to operate it has increased enormously while the expected return (let alone the realized return) has steadily declined under the weight of qualifications and sub-qualifications. No doubt this is the history of many economic theories when they are seriously put to the test. But it does raise the question of whether we may have reached the stage in basic-nonbasic theorizing where the prospective effort exceeds the expected utility. And this in turn suggests that we ought to know more about what questions urban economic studies are ex-

⁶ *Ibid.*, Charles M. Tiebout, "Harris vs. Pfouts: A Third Party Note."

⁷ For a description of its origin and defense of its validity see Homer Hoyt, "Homer Hoyt on Development of Economic Base Concept," *Land Economics*, May 1954.

pected to answer (which problem we shall return to below).

*The Foreign Trade Implications of
Basic-Nonbasic Theory*

The earlier basic-nonbasic theories were naive not only in their assumption of constant ratios but also in their mercantilist bias. Since exports were said to be the "foundation" or "life-blood" of the economy, all other activities were regarded as parasitic, or somehow second-rate. Hans Blumenfeld, in his brilliant article, "The Economic Base of the Metropolis," thoroughly exposed this mercantilist fallacy and many subsequent writers have joined him in avoiding it.⁸ Yet

⁸ Hans Blumenfeld, *op. cit.*; Melvin L. Greenhut in "Comments on Economic Base Theory," *Land Economics*, February 1959, also examines critically some of the foreign trade implications of basic-nonbasic theory, as does Charles T. Stewart Jr. in "Economic Base Dynamics," *Land Economics*, November 1959.

they have failed to make use of a very simple model which shows why industries producing for the local market can be just as good "employment builders" or "growth stimulators" as are exports in the framework of the basic-nonbasic scheme.

Let us assume that we have an urban economy in which exports and imports are balanced and in which the service-basic ratio (i.e. service-export ratio) is 2:1. For simplicity we will assume that the dollar sales ratio is the same as the employment ratio. In that case, if export (or basic) production in period I is \$100, service production will be \$200 and total production (and on these simple assumptions, income) will be \$300. (See Table III).

Suppose now that in period II the city fathers succeed in attracting to the town additional export industries with output of \$10. The economy now increases 10% in size, with both service production and total income rising by that fraction.

TABLE III—ILLUSTRATIVE MODEL OF THE URBAN ECONOMY

Time Period	Exports	Imports	Service Production	Production for Import Replacement	Total Production or Income
I.....	100	100	200	0	300
II.....	110	110	220	0	330
II'.....	100	100	220	10	330

Yet if, instead of bringing about a 10% increase in exports, the planning commission found that new industries to produce for the local market could replace 10% of imports, exactly the same degree of economic growth would take place. (time Period II'). Import replacement industries would produce \$10 of output. They would require, one may assume, exactly the same amount of service production as would new export firms. Hence service production would rise to \$220 and total output and income would be \$330, exactly as in the first case. The composition of imports would change: new imports would be found to replace the \$10 savings on imports made possible by new domestic production. But these would presumably be the same as the new imports that would have been added to the import bill under the first scheme.

In a strictly formal sense it is therefore clear that exports and production for the domestic market are precisely equal in their effects on local economic growth. But the difference in their markets imposes, at least so it has been thought, a difference in our handling of these two economic sectors. On the one hand it is obvious that a given urban market may be too small to support certain kinds of service industries—say an advertising agency or a commercial printing shop—so that local boosters would be wasting time if they tried to attract such firms. On the other hand, the basic-nonbasic theory seems to assume that one may plausibly take for granted an unlimited market for exports so that the city fathers can readily conjure up new export industries to strengthen the local economic base. But this cannot be so, in strict logic, unless one goes in for beggar-my-neighbor

policies of attracting established firms from elsewhere. On no assumption whatever can it be true for all cities simultaneously.

Yet this optical illusion about export markets, or else an implicit advocacy of beggar-my-neighbor policies, is necessary to explain the special reliance placed on export expansion in the simpler basic-nonbasic theories. Nor does the notion that a town might attract new plants of established firms or be the site of newly created export firms allow us to escape the dilemma. As Blumenfeld points out, either each city in the normal course of events attracts on the basis of locational advantages its share of the new plants that contribute to national economic growth, or else some cities are involved in pulling and hauling to get more than the share that their true locational advantages would earn for them.⁹ In the latter case we are back to beggar-my-neighbor policies. In addition, we fail to achieve the optimum location pattern.

It may be that the emphasis on export expansion in the simpler basic-nonbasic theories is a result of uncritically adopting foreign trade concepts and standards in an inappropriate setting. The origins of the notion however, are unimportant. The important point is that the mercantilist bias of the basic-nonbasic model diverts our attention from if it does not actually obscure the genuinely creative economic policies which are possible under city planning. The latter we shall, return to below.

A More Sophisticated Foreign Trade Model

Rejecting the naive mercantilist ideas of the original basic-nonbasic theory, some students of urban economics have turned to sophisticated foreign trade models that employ all the tools of modern international trade and income analysis. The basic-nonbasic classification is relevant for these models because, as C. M. Tiebout has explained, it helps us to separate elements of the economy according to whether they tend to be controlled exogenously or endogenously.¹⁰

The mercantilist bias has been banished from these "foreign trade multiplier models;" the models are not intended to show "the importance of exports." Rather they are to be used to measure the impact of exogenous

changes on the urban economy. Their measurements are offered, moreover, in terms of the ultimate economic coin—income. Hence, to call these structures "base theories" is a semantic anachronism. They deal with total urban income, total consumption, the balance of payments in all its particulars. They are theories of the whole economy and to make them useful we will have to fill them out with complete, continuous statistics on each urban economy—comparable to the national income and balance of payments accounts. "Ideally," Ernest M. Fisher has written concerning the urban economy, "detailed information should be assembled on every type and source of income received in the community."¹¹

What Are the Aims of Planning?

To understand the urban economy we need models as complex and statistics as complete as those used in analysing a national economy. The ultimate importance of constructing such models is certainly not to be denied. But it is not over-stating the case to suggest that the necessary statistics are going to be a long time in coming. Meanwhile, we ought to devote more effort to developing a theory of planning that includes precisely-stated economic aims because discussion of such aims will undoubtedly help us both to look for the right kinds of data and to develop more applicable kinds of economic analysis.

What then is the creative economic role of city planning? I should like to suggest tentatively that it is: (1) to create new and useful opportunities for private capital outlays—say in urban renewal projects—thus, in effect, stimulating private investment; (2) to increase or make more effective use of the city government's outlays on economically useful projects—thus, in effect, stimulating public investment; (3) to make the city economically more efficient through better planning of land use, port facilities, housing and so on—thus, in effect, creating additional locational advantages, lowering costs and indirectly raising urban income. Competition between cities to lower real costs or increase real opportunities is an altogether healthy extension of the basic practices of business competition. It is only competition to suspend

⁹ Blumenfeld, *op. cit.*, p. 130.

¹⁰ Tiebout, *op. cit.*, p. 244.

¹¹ Ernest M. Fisher and Robert M. Fisher, *Urban Real Estate* (New York: Henry Holt and Company, 1954), p. 281.

taxes, or hand out other favors, which must, for the economy as a whole, be downright harmful.

In practice the existence of indirect subsidies makes it difficult to draw the line between the two sorts of competition and I make no pretense of having solved the problem in this paper. But, at the risk of introducing what may prove to be yet another inappropriate concept from the theory of international trade, let me suggest that the difference between creative planning and beggar-my-neighbor policies in urban economics is analogous to the distinction between trade-creating and trade-diverting effects drawn by Jacob Viner in analysing the welfare effects of international customs unions.

The question of aims, or more narrowly of economic objectives, is rarely discussed in the literature on urban economics. One exception was an article by A. Benjamin Handler on the subject of "What is Planning Theory?"¹³ Handler reported on a series of faculty seminars held at the University of Michigan. He found that the scholars who participated were either doubtful about the possibility of such a thing as a theoretical framework for "planning as such", or else could not get far in formulating it. Handler therefore went on to attempt his own formulation. He decided to use "capital" as the basic subject matter around which to build his theory since decisions concerning the accumulation and use of capital are what he believes planning is about. His theory consists of three "frameworks" in which capital must be analysed: (1) a "needs framework" for determining ends or goals, (2) an "economic framework" which deals with the conditions of accumulation and management, and (3) a "framework of forms" dealing with the physical configurations of what is being accumulated and managed.

The "needs framework" in Handler's scheme comes close to being the same thing as the knowledge of "the economic aims of planning" which I have here suggested is the missing element in urban economic studies. Yet I would still insist on "aims," rather than "needs." The latter seems to me to imply (perhaps means for Handler) notions like "one schoolroom per x pupils." On the other

hand, it appears to leave out the broader questions (noted above) which have to be answered under the heading of "what is the creative economic role of city planning?" before one can begin adding up "needs." Moreover, the statement that "needs" exist suggests that all questions of distributive justice, that is to say, all questions of whose "needs" are to be fulfilled, have already been settled, whereas the balancing of various claims should enter as a part of the democratic planning process itself.

Be that as it may, Handler recognizes that something important is missing in current urban economic studies: "The whole subject of needs is now receiving nothing like the attention indicated in the above scheme. Its central position there would make a broad, massive and meticulous attack on that subject unavoidable."¹⁴

It may be foolish to guess what kind of urban economic studies will ultimately prove most useful. Yet I am haunted by the notion that the dynamic forces of technology and sociology are the important variables with which city planning should be concerned. Our models of the urban economy make precisely these basic variables into constants and for that reason do not measure their dynamic impact. To put it another way, our models are designed to measure short-run effects but our principal problems are long-run ones. Yet if our economic models cannot usefully handle the long-run variables we can still attack directly the questions they raise—be they in transportation, housing, tax policy, or the migration of families.

However, we cannot give answers until we know what are the relevant questions and only a better understanding of the valid economic objectives of city planning can tell us that. Gertrude Stein, just before she died, asked "What is the answer?" No one responded. She laughed and said, "In that case, what is the question?"¹⁴

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¹³ A. Benjamin Handler, "What Is Planning Theory?" *Journal of The American Institute of Planners*, Volume XXIII, No. 3.

¹⁴ *Ibid.*, p. 150.

¹⁵ Donald Sutherland, *Gertrude Stein* (New Haven: Yale University Press, 1951), p. 203.

Zoning and the Paradise Lost

THE GREAT iron ball swings a slow arc through the air. It seems to hesitate an instant as it touches the ancient masonry wall. Then there is an explosion of dust and shattered bricks, and a cascade of rubble slides down into the shadows. This, to some, is the culmination of the city planner's art. It is bountiful and dramatic evidence of a new city emerging from the old. At the edge of the scene we imagine the city planner standing, his dusty-shoed feet firmly apart. Above his ruddy cheeks, the wind tousles his hair. One hand holds a roll of plans while the other rests confidently on his hip.

A few planners might fit this description, very few. In contrast, much of the planners' work is indoor, desk work of a kind referred to, by them, as "brushfire." The "brushfire" is the temporary but routine emergency which keeps popping up and consuming the planners' time, piece by piece, until only spare time is left for their primary responsibility—planning. Paradoxically, many of the "brushfires" are produced by procedures which are supposed to be secondary and subservient to the planners' major obligation. One such procedure is zoning. It in particular is a practice which distracts and dissipates much of the planners' attention and resources. Zoning was once supposed to be a fundamental means for breathing life into a city plan. That promise is yet to be realized.

Zoning

The practice of regulating the use of land by means of zoning regulations and maps has become very common in North American towns and cities. If the practice is common, however, the knowledge and understanding of the practice is not. Most simply, zoning is, in the words of University of Washington's Donald H. Webster, "the division of a community into zones or districts according to present and potential use of properties for the purpose of controlling and directing the use and development of these properties. Zoning deals principally with the use and development of privately owned land and buildings rather than with public land, buildings and facilities." We may go one quote farther—to Harvard's Charles M. Haar, who says: "The most widely employed land-use control is zoning; it is in fact the work-horse of the

planning movement in this country." If Haar's metaphor is correct, we can only judge that he refers to a very slow horse attempting to travel in very fast company.

The "fast company" is the rapidly changing American landscape. Many of us who are comparatively young have real difficulty recognizing the familiar places of our childhood. The fields, the woods, and the brooks, for instance, have often disappeared.

I was a very fortunate child. I grew up in a pleasant New England town in the nineteenth-thirties while many remnants of the last century still lingered. Most of those remnants have gone now and so have my fields, my woods, my brook. And so have the steam locomotives, the trolley cars, the great textile mills I used to visit with my father, and the drawbridge over the Cape Cod Canal with musical wooden planking that we crossed on summer weekends. The automobile was an influential part of my childhood also but, unlike the others, it hasn't gone. It is more prominent than ever. Its ascendancy and general effects could have been and to some extent were predicted long ago. The exact consequences, however, are only now being grasped. Its potency in transforming the landscape is at present unequalled by anything else.

The period of the development of zoning in America almost exactly coincides with that of the automobile. But there the parallel ends. Zoning has spread more slowly, it has seldom if ever sparked the popular imagination and its effect, by contrast, seems to approach impotency. So far from having transformed the landscape the landscape seems to have transformed zoning. We can visit cities that have had zoning thirty years, half that long, or not at all. In each case we would find congestion, deterioration, confusion, and disarray in about the same measure. Where zoning has been long established, its effect is not apparent. Where it has been missing, its absence is hard to detect. How different, how very different, it is from its contemporary, the automobile.

Homo Ludens

The historian, Huizinga, has written a book titled, *Homo Ludens*—taking emphasis away from homo sapiens: "man, the thinker," and

homo faber: "man, the maker." Homo ludens is "man, the player." And what lengthy, intricate and punitive games men have devised for their play? How many such activities pass, not as games, but as worthy and serious enterprises? One wonders if our subject, zoning, a practice of so little effectiveness, might not be one of those games. It has its playing field—the city, the town, or even the county of your choice. It has its rules. For example, it first must be "comprehensive;" that is, it must apply to all and not just a part of one political area such as a city or town. Next, it must divide the area into sections for houses, factories, stores, etc. There are also the "rules of the house."

In some places, for instance, industry is the lowest category and residential use is the highest. This is the "relative nuisance" school. In other places the above is exactly reversed with industry on top; this is the "relative property tax" approach. A third belief says that all of the different uses of the land have equal merit and deserve equal status. This is, obviously, the "diplomatic" or "keep-them-guessing" strategy. We might mention here that there is also "dirty" zoning which includes such loathesome practices as spot zoning, strip zoning, and snob zoning. Spot zoning is a legal foul. It consists of wrenching a piece of property out of the context of the properties around it and allowing a different sort of use. Strip zoning is a design foul. It is the practice of letting business string out endlessly along a highway. Snob zoning is a social foul. It favors large, "estate" lots in some sections of town to please the squire set. So much for rules.

When your zoning game is all organized, you must post a ceremonial statement which will say something like this: "PURPOSE: to provide adequate light and air, to reduce the threat of fire and contagion, to insure the safety of life and limb, to protect property values, to reduce congestion in the streets, and to promote the general welfare." It is not expected that this statement will affect the course of the play but the recitation of it is a ritual demanded by convention. With this incantation completed, you are ready to begin the game.

It takes at least two to play but beyond that it's wide open and come one, come all. It adds variety and interest when realtors, lawyers, judges, engineers, and miscellaneous other "experts" join in. Before starting,

however, one of the best ways to get oriented is to be a spectator and observe how the game is being played or study what has been done in the past by the older, more experienced hands.

Zoningmanship

For the purpose of getting acquainted, we can visit an office in a midwestern municipal building. A little old lady, flushed with exertion, enters the room. The recently hired city planner rises and greets her, and invites her to take a seat. Meek, apologetic, and breathless, she tells of how she has always intended to open a gift shop in the parlor of her old house, she has never gotten around to it, but she has always thought of it as business property, and now the zoning will not allow it. With barely a pause, she continues, saying that some nice business people want to buy the place, that she's not as young as she used to be, she can't afford to lose any more of her limited means and what can she do? She breathes deeply at last and the planner sighs.

He asks her if she can locate the property on a map and she does so with an alacrity that denies her years. Our planner looks at the zoning map, still a little strange to him, and examines the spot she indicates. He sees that it is a corner lot on a main street and restricted by zoning to residential use. Rather than expose her to his uncertainty, he assures her that he will investigate the matter and give her his informal opinion the next day. With a plaintive look she thanks him and, displaying great fatigue, leaves. After a few moments he motions us to follow him. We go over to the office of another city official, a long-time resident, and ask him to tell us what he knows of the little old lady. It seems that the poor old soul can afford to spend more for her afternoon tea than we could spare for a fabled week-end in Manhattan. She has been a real estate agent for forty years and in this particular case the nice business people are the field representatives for a large oil corporation. As a matter of strict fact she hasn't said otherwise.

Next we get into the car and drive over for a look at the property in question. The house is on the corner of an intersection that is worse than congested—it is a tumult. Two corners are already occupied by gas stations which crowd forward on their lots and a third

corner holds a small, busy block of stores with no adequate parking nearby.

This intersection needs not one more gas station but one less. Yet the location is, if anything, even less suitable for a residence than it is for a gas station. What can traditional "zoning" do in the face of this? Change the property from the general category of residential use to that of business—and open the door wide to all kinds of possibilities ranging from barely tolerable to thoroughly poor? What shall the planner recommend? If the city's board members are petitioned to make such a change, how shall they decide?

Whatever move they make, they're going to be damned if they do and damned if they don't. They can avoid the decision temporarily by tabling it or "taking it under consideration." Sooner or later the day of reckoning comes and their decision, when it also comes, will not be an easy or satisfying one. In all likelihood the old lady's grievances will be redressed. In her mind justice will have then prevailed. But the price for her individual relief will be the addition of one more obstacle in the course of orderly community development.

This is "zoning" at work. It is not an unusual or isolated example of the problem. It is, to the contrary, a fairly typical case of zoning breakdown, the inability of an overly simple device to cope with complexities of our changing urban environments.

A Place for Everything

Zoning has a place. It can do a job. It can assist in the control of newly developing areas, areas which were lightly occupied in the past and are now becoming densely settled. These are usually the areas adjacent to and surrounding the older towns and cities. If the zoning is established early enough and then supported and enforced by the agencies employing it, then it can guide the general pattern for new uses of the land. That's a big "if" but it is zoning's only possible function.

Its use in such areas is important. For these are the major growth areas of the country. Here zoning, in conjunction with land subdivision controls, can prevent some of the worst pitfalls of fragmented, disorderly development. It can help bring some sense of community to the automobile-induced suburbs and ribbons of commerce. It can

anticipate and in some small measure circumvent the kind of abuses in the guise of commerce that have enfolded U. S. Highway 1 in the East and the El Camino Real in the West. It can also intervene in the kind of desecration in the name of housing that has overlaid the rolling hills of the northeast, the south, the midwest and farwest; and that has defaced our shorelines on the Atlantic, the Pacific and the Great Lakes. It can, but so far it hasn't.

The problem is exemplified by the recent attempts to preserve the dwindling salt meadows along Coastal Connecticut. These marshes, particularly along the irregular parts of the coastline, provide vistas of subtle and unforgettable beauty. The State of Connecticut has a program for acquiring and protecting some of these lands. Public funds are limited in Connecticut as elsewhere, however, and the tempo of the program is also necessarily limited. In the interim there is repeated pressure to zone and use the marshes for industry and for commercial recreation such as marinas. If that pressure succeeds, the dredging and filling may not be far behind and the natural beauty and the wildlife cannot resist the impact of the dragline.

When I was very small I had an inexpensive little camera that produced a very inelegant kind of a photograph but once I used it to good advantage in taking a picture of an old, multi-storied cotton mill in Fall River, Massachusetts. In the foreground of the print was an expanse of salt meadow. In the background the factory stood free on its own high ground. The meadow and the mill coexisted handsomely, each in its place. This simple compatability, a cordial separation, seems now to have become an extreme luxury. A luxury that developers in shore states such as Connecticut and New Jersey can apparently no longer afford. A beauty that is not "profitable."

These are isolated instances. We could also cite the once-magnificent San Francisco Bay, now little more than an open sewer. We could point to those shores of the Great Lakes close to large cities which have been translated from a seemingly unlimited recreational resource to a speculatively valuable industrial waterfront by the opening of the St. Lawrence Seaway. The Seaway is not inherently a bad thing, nor is industry, nor commercial recreation for that matter. Their development

without regard for anything else is a bad thing. Healthy growth is not possible if some vital requirements for a balanced environment are neglected or abandoned in favor of others. All are necessary; no chosen few are sufficient. And everything in its place.

The Failure and the Need

The failure in creating a decent physical environment cannot be laid solely at the feet of zoning. Only the public and its governmentalities can authorize the acquisition and preservation of public lands, for example. Zoning can neither guarantee beauty nor insure good judgment. If it is well devised and well enforced, and these two are a rare combination, it can help control the development in areas of marked change or growth. It is of little help in builtup, older sections. In settled, established towns and cities, where conditions are worst and good environment is needed most, its effect is least.

Zoning's lack of positive effect has two common sources. One is that in many zoning regulations and ordinances an established use or enterprise that is discordant with the adopted zoning can continue indefinitely if it existed before the zoning. This is commonly true of zoning in the eastern part of the United States. These "non-conforming uses" will pass away only if they are abandoned for six months, a year, or more, after which period the zoning will prohibit their being resumed. The general effect of such zoning is to freeze the builtup areas just as they are, not to improve them. There is another zoning practice which is much more stringent. It says all non-conforming uses shall be abandoned at the end of some specified length of time such as five years or ten years. The potency of this second practice evokes protest and the protest forces another issue—the need to prove the reasonableness of the zoning. This, in turn, reveals the second major source of difficulty—the arbitrariness that is characteristic of most zoning regulations.

Here are a few typical examples of arbitrary requirements:

- A house may include a doctor's office if the doctor resides within it but not if he doesn't.
- A single family house must have a separate lot in excess of 5000 square feet but a single family house trailer may be permitted permanently in a trailer

camp where it has no more than 1000 square feet.

- Neighborhood Shopping District X requires Off-Street Parking but Downtown Shopping District Y with congested streets does not.

Then there is the vast disparity in zoning practice that exists between different communities and even between adjoining communities.

- City A allows junk yards in any commercial district: City B allows junk yards in only one district and then only if it is hidden by a fence; City C prohibits them altogether.
- City D states that for health and safety the minimum lot size for a dwelling is 6000 square feet while City E states 5000 and City F says 7500.
- City G prohibits flashing signs but does not restrict size. City H restricts the size to 48 square feet but permits every and any kind of illumination.

Finally there is the bewildering variety of beliefs which govern the mapping of zoning districts and their boundaries.

- Community J believes that the strips of land adjacent to all main highways should be zoned commercial; Community K opposes the practice and employs the principle of large, separate groupings.
- Community M feels the boundary between different districts should fall in middle of blocks of land; Community N prefers to make the change at "natural" boundaries such as streets, railroad tracks, and streams; and community O seems to go by-guess-and-by-golly.
- Community P insists on keeping the major portion of business zoning in and about the traditional center of town. Community Q believes it makes better sense to limit the old center and decentralize new business growth.

When such diverse opinions as the foregoing are simultaneously held and defended, when there is so little consensus as to which are correct and which are not, then it becomes inevitable that arbitrary decisions be made. When arbitrary decisions are imposed and their enforcement attempted, a free and

rationalistic society will rebel and failure is imminent.

The fact of failure, on the other hand, does not negate the validity of the *need*. The need, in the past, the present, and the future, is for an intelligent, consistent, and effective method, commensurate with democratic ideals that will enable us to produce first rate communities where now we have one of the most bizarre collections of urban miscellany in the world.

Excelsior: or, a way out

Reference was made earlier to a rather slow workhorse which finds itself in very fast company. Now, to thoroughly jumble the metaphors, let's change the workhorse to a cart and think of it as being the cart before the horse. Granting that zoning can have at least a limited function to perform, it should follow from a reliable and detailed knowledge of people's desires and purposes. It seldom, if ever, does. Zoning as an institution is supposed to serve people but, like so many other institutions, it has fallen into a condition where people are supposed to serve it. This is the cart before the horse.

In fairness, no certain knowledge of what people must have in a community, to facilitate the pursuit of genuine happiness, is at hand. As a standby, zoning is one of many things that have been formulated to hold us over until we have a more exact knowledge of community life. Such interim measures are often needed, but we must be careful not to concede status to them beyond the contribution they can make. We must, in the meantime and as rapidly as possible, develop the kind of knowledge of human nature and conduct that provides the only decent and reasonable basis for any attempt at community planning and land use control. The opinions of the citizenry affected by any proposal must be sought. The emphasis is on the word "sought" since most people will not offer an opinion if it isn't asked for. The public will not always have an opinion, nor will the mass opinion always be a properly considered one; but whatever that opinion may seem to be, whether right, wrong, or no opinion at all, some informed notion of it is essential. In overcoming the community planning impasse, this is item number one: *Find out what people want and what they need.*

If we can concede this first demand, we are ready to move on to the next consideration

which is this: one other major difficulty in the past has been the lack of standards for evaluation. If we want a good community, we must have some clear idea of what is good and what is not. All enterprises or activities should be scored and classified according to their place on a scale running from nuisance on the one extreme to amenity on the other. They should not be classified simply as business, industrial and residential and then segregated accordingly. Definite standards must be established setting the tolerable limits for such things as light, noise, airborne waste, waterborne waste, odor, vibration, vehicular concentration and movement, land coverage and so on. Within those limits the variety of uses must be judged and accorded status. Many sources of nuisance have already received intensive study and these will not be the most difficult to score.

As much cannot be said for the evaluation of the positive qualities, or amenity of various kinds of development. No one kind is attractive and inoffensive by its very nature. Poor housing, as an example, can be far more detrimental than a well-designed, well-regulated industry. There are no easily defined standards for what constitutes good architecture and site planning and for that reason it would be improper to restrict design alternatives down to the last detail and by public decree. The difficulty in this matter, however, is no reason to abandon it entirely to whim and caprice. Excessive individuality in the bad sense of carelessness and extreme self-interest is at the root of many community problems. The ideal is to encourage individual expression in the creative sense—to promulgate thoughtfulness, care, and consideration for the surrounding community when anyone builds or rebuilds. These should, for the sake of amenity, be general design standards with a design review of specific proposals. Design standards will differ from other performance standards since they will vary slightly from one neighborhood to another and not, as performance standards do, apply uniformly and exactly to the entire community. The performance standards, like traditional zoning, are negative in that they prevent abuses. Design standards and review are positive in that they promote thoughtful innovation.

This, then, is the alternative to zoning: A foundation of just, uniform standards for the avoidance of abuse, and a general proce-

ture for producing urban design of decent quality. This solution is not startling or new. Its broad application would be new to this country. In many parts of Great Britain it is established practice. In many parts of the United States it also exists in a limited way—interestingly enough—within sections of many separate, isolated zoning ordinances and regulations.

We find, for example, that "floating zones" in New Jersey, "designed districts" in Connecticut, "community unit plans" in Illinois and New York (to name only a few) are all procedures which allow a waiver of zoning restrictions when a satisfactory design proposal is submitted. The "floating zone" doesn't exist on the map at all until someone offers a specific design which meets its requirements. If approval is given, the zone is established simultaneously. The "designed district" differs in that it may exist on a map as the second of two districts pertaining to the same area. The "designed district" allows a more generous variety of things to be established than does the primary district but only if strict conditions are met. The two special categories just described are most commonly concerned with business and industrial uses. The "community unit plan" typically is concerned with residential development. It says that the conventional lot and dwelling layout demanded by zoning will be set aside if an overall plan of suitable design is presented and approved. All of these procedures differ from the "old look" of traditional zoning. All are harbingers of the "new look" in community development controls.

To restate the elements of the new approach for improving our community en-

vironments we may consider the following:

1. An accurate knowledge of the affected citizenry is essential—not their sex, color, and age, but rather their feelings, thoughts, and desires. Some of us need to be reminded that we are planning for people not livestock.

2. Citizen participation is also essential and must be solicited if it is not volunteered. Active interest and support of community planning are needed; dull acquiescence is not.

3. A complete set of performance standards for all land use and buildings is needed. These standards must be tied directly and demonstrably to the clearly defined health, safety, and welfare of the public, individually and collectively. These standards shall apply uniformly throughout the community.

4. Based on the foregoing knowledge and standards, design approval procedures shall be established. These will incorporate general and flexible design standards which are compatible with the place of their employment. These procedures will facilitate and encourage the participation of urban designers—the only specialists who seem to offer us much promise of creating cities and towns that are worth living in.

These are the four elements, none of them speculative, all of them tried in some measure, which form a rational and just foundation for a new advance in urban development. When we press them into service we can, at long last, make a bequest to our posterity of something more than a civic wasteland.

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Book Reviews



Land Use Planning. By Charles M. Haar.
Boston, Massachusetts: Little Brown &
Company 1959, pp. 790. \$10.00.

This book, intended as a teaching course book for a law school course on land-use planning, ought to be required reading for all social scientists and planners. Students could also be exposed to it with profit. Indeed, it ought to be required reading for enthusiasts in any field of endeavor involving government action. In each of the eight chapters into which this book is divided the author attempts to clarify a number of basic issues: What is the social function of private property; what is the relation of individual to public decision making and the process by which land-use decisions are made. The basic theme of the book is that lawyers and planners must be allies, not individualists or antagonists in adjusting community and private interests in the urban environment. The book is thus useful for lawyers because it is written in the style traditional in legal writing of a healthy skepticism toward all solutions passionately held and, at the same time, written by a person, sympathetic although not uncritical, of the ends and means of professional planners. The book is particularly important, even though not written for that audience, for the professional planner because if he reads no more than the chapter headings and a few of the textual materials rather than the cases he should see that skepticism even about his own profession is important in the effective decision-making responsibilities which society is beginning to put upon planners.

Teachers of social science can see in this book, if they do not already know it, how the case method can be used effectively as a teaching device in non-law courses. Basically, as many of us know, the case method is a Socratic method of teaching. An original use of this method is found in chapter 8 of this book entitled, "Planning for What, How

and by Whom?" Here the author attempts to sum up the basic policy matters by use of an original dialogue between a planner and a lawyer representing a client which should cause all experts, whether lawyer or planner, to reconsider his preconceived assumptions concerning planning and law. In this chapter the author focuses his attention on the master plan; he looks closely at the substitutes for the market mechanism which planners have devised and then, in the form of a dialogue, he attempts to present some of the perplexing issues in planning. This dialogue, for example, raises the question: Whose policy is imposed on the individual, that of the expert planner, that of the legislature in traditional democratic fashion, or the planner's hunch as to what the community ideals and attitudes are.

The book is a complete survey of all of the legal tools used in planning but put in relation to basic policy conflicts in our society. It should put back into the language of social scientists and lawyers the concept of eminent domain as a tool in city planning for it attempts to assess the distinction that must be made between government regulations for which no compensation needs be paid and condemnation for which our constitution requires the payment of compensation. This book is recommended reading for all of us interested in land economics.

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Anatomy of a Metropolis. By Edgar M. Hoover
and Raymond Vernon. pp. 345.

Made in New York. Max Hall (Editor) pp.
388. The first two of a ten-volume
series on the New York Metropolitan
Regional Study. Cambridge, Massa-
chusetts: Harvard University Press,
1959.

The first volume seems very aptly named
It is a detailed descriptive analysis of the

present anatomical structure of the region, together with some discussion of important historical antecedents of the present configuration. In no sense is it physiological; neither urban economic functioning nor its interrelationship with urban structure is considered. The volume covers distribution of jobs (of various classes) and population over a 22-county region, with the primary subregional breakdown being Manhattan (1 county) and the rest of the region's core (4 counties) and inner (7 counties) and outer (10 counties) rings. In addition to past trends and current status, a largely qualitative extrapolation is included.

The second volume includes studies of three industries especially important in the New York Region; women's and children's apparel, printing and publishing, and electronics. In this volume the main characteristic under consideration is the level of employment in each of the industries for the region as a whole (some attention is given to different major components of each group). While past trends are examined, the estimates of future employment are more than a simple extrapolation of recent trends. Rather, production costs in the region and elsewhere are examined in detail for each case. On the basis of this analysis the region's share of an independently projected national industry total is estimated. The present or future distribution within the region of each industry's employment is considered only incidentally.

Perhaps the most discomfiting aspect of the study is revealed by looking at these two volumes side-by-side; it seems to be a set of independent partial analyses in a predetermined causal sequence. To illustrate, in Volume I, structure is considered independently of the future levels of various activities; in Volume II, future activity levels are determined independently of the region's internal structure, the latter presumably being derivable by an *independent* subsequent analysis *a la* Volume I. For a very "open" economy, say a smaller isolated city, the presumption that structure is functionally determined is often regarded as valid. For a virtually "closed" region, like the United States as a whole, it is structure which largely determines functional performance. In the in-between world of the New York Metropolitan Region, both seem incomplete, calling

for a more general theory of structure and function.

That such a generalization would require a basic extension of regional economic theory is admitted, but in an effort as ambitious as this Study one might have expected at least some movement in this direction. In other respects the two volumes reviewed here are interesting, provocative and entirely thorough. They should be extremely worthwhile for the uninitiated reader who wants to familiarize himself with a typical regional economic study presented in relatively simple terms. They should also be of use to the advanced researcher as a source of substantive information for our largest metropolitan area.

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Integration and Competition in the Petroleum Industry. By Melvin G. de Chazeau and Alfred E. Kahn. Petroleum Monograph Series, Volume 3. New Haven, Connecticut: Yale University Press, 1959, pp. 598, \$7.50.

Competition, integration and the petroleum industry are each complex and involved topics. Professors de Chazeau and Kahn have succeeded in putting the three together in a meaningful manner and the result is the most thorough economic study of the oil industry since the war. The authors pose three questions: (1) Is vertical integration necessary for an expanding liquid fuel supply? (2) Is vertical integration compatible with socially acceptable competitive objectives? (3) What should our oil import policy be? The answers to these questions do not come easily for the authors or for the reader. The general conclusions reached in this study should please those who maintain that the oil industry is or can be workably competitive. The authors state that "... the structure and practices of the petroleum industry beyond the production level are ... workably competitive," and further "... vertical integration itself is not incompatible with workable competition."

The authors are quick to point out that their conclusions are valid only if two major changes are made, both of which deal with

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the regulation of oil supplies. The restriction of oil production to the level of "market demand" under the guise of state-controlled conservation regulation needs radical alteration. The existing system, it is claimed, artificially raises prices, creates waste, misallocates resources, and inhibits competitive forces at all stages of the industry. The second stumbling-block in oil supply is our current oil import policy, which is inflexible and unrealistic as well as being uneconomical. The recommended solutions are: (1) a federal law in place of the numerous state laws governing oil development with the provisions that all oil pools will be "unitized" (i.e., all producers act jointly as one to produce from a given pool) and all wells be allowed to produce at the highest rates consistent with maximum ultimate recovery; and (2) abolition of the quota restrictions on imports. Professors de Chazeau and Kahn thus join the long list of economists and others who criticize state oil conservation and federal oil import policies. The growing criticism is symptomatic of a potential problem area and should serve as a warning to state regulatory agencies and the oil industry that the present system of production controls needs intensive examination.

Although suggestions are made as to how the industry's problems might be corrected, analysis of the implications of the changes is left largely undeveloped. Thus, little attention is given either to the impact of the authors' proposals on the domestic industry, or to the foreign politico-economic impact of removing import quotas. Most oil industry spokesmen and state regulators would deny the charges that the major integrated companies exercise control of the string-pulling variety over the Texas Railroad Commission. Such control is exceedingly doubtful. It is quite possible that the regulatory agencies and the major companies are interested in the same goals but for different reasons.

De Chazeau and Kahn have done a superb job on analyzing relationships and problems in all phases of the industry and their book thus joins the fine group of postwar studies of oil industry problems. It is essential reading for everyone interested in the petroleum industry and will be rewarding even if one does not agree with every conclusion. The oil industry itself should study the friendly

criticisms carefully in view of its precarious regulatory status.

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Farm Rents: A Comparison of Current and Past Farm Rents in England and Wales. By D. E. Denman and V. F. Stewart. Cambridge, England: Cambridge University Press, 1959, pp. 186. And:

Farm Rents and Tenure. By J. T. Ward. London, England: Wye College, 1959, pp. 87.

American admirers of the English tenancy system who may have had a growing apprehension that all was not well will find a similar concern well documented in these two books by prominent British land economists. Written independently but contemporarily, each complements the other and together they provide a more comprehensive description and problem analysis of the subject of farm tenancy than is available in our own literature.

Denman and Stewart's book presents the statistical results of a nationwide farm rental survey completed in 1958. A mail questionnaire sent to landlords yielded information on 12,661 rented properties which represented about 13 percent of all rented land in England and Wales. Separate chapters are devoted to determining differences in levels of rents by type of farm, size of farm, and amount of fixed equipment. Later chapters explore possible relationship between size of estate, type of owner, method of determining rent, and level of rentals. As in the United States, relatively little is known in England about the size and distribution of ownerships as in the past most surveys were focused on the operating unit.

The design of the survey, the statistical analysis, and the presentation of results compares favorably with the best that is being done by American researchers. Numerous hypotheses as to factors associated with differences in rents were explored. They were tested by means of analysis of variance.

Although the authors follow their stated intention of limiting their discussion to the findings of the survey, the major defects in the present tenancy system as described by

Ward are clearly apparent. Cash rental rates are shown to have lagged drastically behind farm income, and they have been largely unresponsive to the arbitration system provided by law. Low rental returns to landowners, together with both legal and institutional obstacles to changing tenants, are seen as impairing the efficiency of agriculture.

Ward compresses the evolution of the English tenancy system during the last century into a few pages, then examines the Agricultural Holdings Act of 1948 and the Agricultural Act of 1958 in more detail. Although the 1948 act sought to terminate the wartime freeze on rents and operators by setting up an arbitration system, it is shown to have been ineffective. Premiums of two-thirds to double the sale price for land sold with vacant possession, as compared with farms with sitting tenants, are cited as evidence of the rigidities in the system. Such premiums persist because it has been difficult, inconvenient, and often impossible to raise rents paid by sitting tenants.

Ward doubts whether the 1958 act will be effective in raising rents to their economic level nor will change what he views as excessive security for tenants. He makes the prediction that this may be the last opportunity for landowners and their agents and tenants to put the landlord-tenant system back on a sound working basis. He challenges landowners in particular to provide better estate management and the incentives and penalties necessary to encourage their tenants to use land and buildings economically and efficiently. Landowners would have the obligation of plowing back into their farms much of the higher rent that the present state of British agriculture would seem to warrant.

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Agriculture and Urban Growth: A Study of the Competition of Rural Land. By G. P. Wibberley. London, England: Michael Joseph, Ltd., 1959, pp. 229, 21s.

Dr. Wibberley's book is timely as a news story. It is an informative and thought-provoking account of recent research at Wye

College (of the University of London) into how the land of Britain is used and the effects of the competition between farms and growing towns and cities.

The book's action draws steadily upon the results of a number of research studies into problems of land use, land use planning and control through the help of Conditional Aid Funds. It describes the methods used in measuring the worth of areas of agricultural land when they are considered for such non-agricultural use as housing, and assesses the possibilities of and policies for improving use of land in the lowlands and in the hills of Britain in order to offset the loss of plains land to urban uses. The analysis uses simple economic concepts and the results suggest that comparative analyses of the costs and benefits from alternative forms of land use can and should be made in the interests of the public at large.

The book deals primarily with land and some of the problems that have arisen largely in this century in man's competition for land in Britain. It contrasts the situation there with that in the United States and other countries with growing cities.

The United States and England have roughly the same proportions of land in non-agricultural and nonforestry uses—about one in ten acres—but Americans use much more land per person for their nonfood needs.

The problems of conflict and cooperation between agriculture and urban growth, which are analyzed in Dr. Wibberley's book, are found to be not unique to Britain. The growth of cities and their spread to surrounding farmland is continuing throughout the world—in places as different as Accra in Ghana, Ankara in Turkey, Delhi in India, London in England, and Chicago in the United States. The larger cities are growing whether they are in highly or poorly developed countries. The major difference between cities in the richer and those in the poorer economies is that the former are spilling out at a faster pace and the density of new development is generally more scattered.

In countries that lack local land use planning and controls the explosive effects of potential urban demand spread widely into rural areas. A large amount of land is held vacant, or is only partly used, in anticipation of new higher value uses. In Britain the

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county planning committees set up by legislation in 1944 assess carefully the likely future demand for land in their respective communities and try to choose for urban development areas that have the least agricultural significance, provided there are no overriding public planning considerations. The existing procedure for handling land purchase and building in Britain is largely a matter of private arrangement within the framework of the development plan for an area. Through various legal remedies and the sanction of public opinion in a democratic environment, however, the county planning committees influence the direction of growth to a moderate degree.

For the most part, the author of *Agriculture and Urban Growth* lets his sources and related research projects speak for themselves, which keeps the drama of the underlying events in the competition for land for intensive uses in gear throughout. This factual, professional approach gives the book not only the ring of authenticity but a change of pace from the scare headlines of many undocumented accounts of today's rapid urban growth and its multiple problems.

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The Selection of Retail Locations. By Richard Lawrence Nelson. New York: F. W. Dodge Corporation 1958, pp. 442. \$9.00.

This book is an outstanding contribution to land economics. Dealing with the retail pattern of land uses which has gone through a dynamic revolution in the past twelve years, the author, from the great store of factual data collected by his organization in surveys for retail locations, has evolved principles of practical and theoretical importance. It is an indispensable source of information for the study of our rapidly changing urban pattern because it brings our knowledge up to date on shopping center factors which were unknown at the end of World War II. It is also a vital tool for retail store owners because it charts principles for making decisions in selecting future locations for their shops. Methods of analysis are

specifically indicated so that the store owner can learn the methods used in solving location problems by reading this book. Of course as in the case of law or medicine, it is not advisable for a layman to be his own lawyer or doctor. The skilled expert, who has knowledge of all the sources of material and knows the pitfalls as well, has developed an intuition and judgment through long experience that a novice cannot duplicate.

Mr. Nelson analyzes both downtown and outlying shopping centers. His principle of compatibility, which shows what types of stores should be associated together, is of fundamental importance to any developer of a shopping center as well as a contribution to land economics.

This book, like Richard M. Hurd's classic, *Principles of City Land Values*, is the product of a rare combination of qualities in the author—the ability to amass a vast store of relevant, concrete facts on retail locations and the capacity to develop, from these facts, principles that can be applied to future retail location problems.

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Offices in the Sky. By Earle Shultz and Walter Simmons. With foreword by Clarence B. Randall. Indianapolis, Indiana: Bobbs-Merrill Company, Inc., 1959, pp. 328, 20 plates. \$6.00.

The considerable body of literature on the American skyscraper deals for the most part with the development of structure and modes of construction; and with the architectural treatment of the tall office building. The present work, on the other hand, is concerned almost exclusively with the skyscraper as an economic institution or, more particularly, as an instrument in the administration of business organizations. In the authors' own words, "Our purpose is to relate the story of the office building as a tool of commerce and a prime factor in the growth of cities" (p. 17). And they might well have added, to relate the history of the National Association of Building Owners and Managers, for the book was prepared under the sponsorship of that organization, faithfully reflects its highly

sectarian point of view, and records its activities in sometimes tedious detail.

Beginning with the Montauk Building in Chicago (1882), the authors present the growth and multiplication of skyscrapers, chiefly in Chicago and New York, in terms of the genesis of major projects, the costs, rents, and income associated with building investments, the development of mechanical electrical utilities, and the problems of building ownership and management. The central theme is the equation of business with progress, which is celebrated throughout the book by lavish praise for the entrepreneurs whose wealth produced the towers of Manhattan Island and the Loop. Within these limits the authors have written a useful and, in places, illuminating book, loaded with social and economic facts of a kind with which the architectural historian seldom deals. The work is particularly good in the presentation of well-defined phases of the skyscraper's history such as the building boom of the 1920's, and specific projects, notably the Empire State Building and Rockefeller Center in New York and the Gateway project in Pittsburgh.

But *Offices in the Sky* has major defects which grow largely out of the narrow viewpoint of the building owner and manager. As a whole it is disorganized, shifting illogically from the broad socio-economic narrative to detailed accounts of the activities of the owners' association. There are no sources for the numerous quotations and no bibliography. The treatment of invention is sporadic and naively anecdotal. The most serious weaknesses arise from the authors' failure to see how excessive building of skyscrapers in the urban core for purely financial purposes has been a powerful factor in the demoralization of the city and the consequent abandonment of civic responsibility attendant upon the flight to the suburbs. Extreme inflation of land values, unmanageable traffic congestion, the deterioration of architecture into a form of public relations, the destruction of well-designed and useful buildings to make way for the currently fashionable air-conditioned, curtain-walled boxes—these are either dismissed as non-existent problems or as minor costs in the onward march of "progress." The authors' hostility to genuine city planning and civic art, a bias which arises from the identification of urban growth with narrow economic satisfactions, seems to this

reviewer not only shallow but downright pernicious. The wealth of accurate factual detail in the book serves mainly to support the contention that building ownership and management must be identified with the total human need of the urban dweller and hence cannot be divorced from comprehensive urban planning.

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The Newcomers: Negroes and Puerto Ricans in a Changing Metropolis, By Oscar Handlin, Cambridge, Massachusetts, Harvard University Press, 1959, pp. 171, \$4.00.

The Newcomers is the third volume of the New York Metropolitan Region Study, in process by the Graduate School of Public Administration, Harvard University, for Regional Plan Association, Inc., a nonprofit research and planning agency. Oscar Handlin is a Professor of History at Harvard University and a Pulitzer Prize winner.

Professor Handlin's objectives are primarily historical: (a) the earlier consequences of ethnic group pressures as a basis for analysis of comparable pressures from recent migrants; (b) the extent to which Negroes and Puerto Ricans differ from the earlier immigrants to New York City; (c) projection of a line of development to help in understanding the future character of the community as a whole.

The book opens with the historical background of New York City, in terms of the various ethnic groups which have come to the city during approximately three hundred years. In contrast to the early immigrants, the recent newcomers, Negroes from the South and Puerto Ricans from the Island, are American citizens.

The adjustment of these newcomers to the New York Community is complicated by a number of factors. Since the majority of the Negroes and an estimated one-fifth of the Puerto Ricans are dark skinned, this attribute often subjects them to prejudices associated with skin color. In this respect, they are in a disadvantaged position, compared with the earlier immigrants from Europe. Also, they are entering a New York urban area which

covers sections of three states rather than, as previously, a relatively small municipality. The majority of both the Negroes and the Puerto Ricans settle in Manhattan. Because of local prejudice, movement to the outlying areas is often barred to them.

Throughout the years, transition from rural to urban living has been a significant factor in the adjustment of each group migrating to New York City. It is true also for both Negroes and Puerto Ricans. Concomitant with this factor are the cultural discrepancies between their old life and the new to which may be attributed many of the social problems which have beset all groups of newcomers, e.g., pauperism, gambling, criminality, juvenile delinquency, etc.

Unlike the earlier arrivals to New York City, the recent migrants have not developed the integrated patterns of voluntary organization for the care of the sick and the aged, typical of the nineteenth century immigrants. Now however, social welfare programs, financed by federal, state and local funds, have taken the place of many of the earlier voluntary programs.

Recently, both the Negroes and Puerto Ricans have begun to recognize the significance of social action. One result of such action is state and local legislation to prevent discrimination in housing. A 1955 New York State law and a 1957 New York City ordinance outlawed discrimination in renting multi-family housing; the former legislation applies to public housing and the latter to privately-owned dwellings.

Professor Handlin is optimistic concerning the future role of both Negroes and Puerto Ricans in the New York Metropolitan Region. He believes that under responsible leadership, each of these groups will develop increased numbers of communal institutions, which will contribute to the adjustment of the newcomers to urban life. These communal institutions will evolve both as the result of reduction of prejudice against them and the expansion of opportunities for them.

Needless to say, many of the older residents of New York City are much less optimistic. Many of them, descendants of the former newcomers, know little of the problems of adjustment which were met by the immigrants of the nineteenth century. Therefore, to recognize that the problems the New York metropolis is meeting now were also met at earlier periods in the city's history may prove

to be enlightening to these older residents, as also to the general reader.

Professor Handlin's book, written in clear, concise style, is a qualitative rather than a quantitative study. However, it does have some quantitative data to illustrate the text and it has an appendix of thirty-one tables on the ethnic and racial population at various stages of New York City's growth. Nevertheless, the use of historical data for comparative analysis, within the New York metropolis, is the primary contribution of this book to the literature on intergroup relations.

ROSALIND TOUGH

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Land Reform in Japan. By R. P. Dore. Issued under the auspices of the Royal Institute of International Affairs. London, England; Toronto, Canada; and New York, New York: Oxford University Press, 1959, pp. xix, 510. \$8.80.

Here are inter-disciplinary area studies at their best. Professor Dore's monumental study is divided into five parts, of which the title slights the last two. The first three sections lie within the domain of land or agricultural economics. They cover respectively "The Problem" of the pre-war Japanese land tenure system and the rising disaffection with it, "The Reform" as enacted by the American Occupation and retained by the Japanese Government, and "The Farm Economy" after the reform. The last two sections are careful studies of social classes and political behavior in half a dozen Japanese agricultural hamlets during the 1950's. The whole is carried out by a scholar who not only knows the language and source materials of Japan, but has lived himself with Japanese peasants in Japanese villages anthropologist-fashion, as few if any foreign economic experts have ever tried to do. (It is this last distinction between Dore and other "Japan hands" that Professor Seiichi Tôhata, dean of Japanese agricultural economists, points out with fervor in a Foreword).

Here is then God's plenty, including inevitably some few disappointments. Most of these latter pertain to side issues which Dore

did not choose to consider, even with 500 pages at his disposal. Some of them (and they are indeed no more than little disappointments) are listed below.

1. There is among Japanese land economists considerable controversy as to the origin of the traditional Japanese tenure system which Dore discusses in Part I. Conservative writers tend to treat the agricultural hamlet and village as further extensions of the extended family system with the landlord in the role of family head. Radical and Marxist writers treat the hamlet and village as originally groups of small farmers forced under the "protection" of some warrior or bandit whose descendants exploited theirs under the landlord-tenant relationship. While this unresolved controversy is hardly of first importance for Dore's study, it would seem to affect somewhat the ethical status of the landlord's claim to additional compensation.

2. A school of supercilious Commonwealth critics of SCAP and its works has arisen in the wake of General MacArthur's studied snubbing of Commonwealth advice during the Occupation. These critics tend to discount whatever reforms they do not disapprove by the bland assertion that they would have occurred anyway. Dore's treatment of the land reform itself (Part II) falls under this head, and it is not easy to determine what he means by his reading of conjectural history. If Dore means that tradition and inertia alone could not have sustained the prewar system many generations beyond 1945, he is probably right. If he means that no conceivable Right-wing dictatorship (purely Japanese, purely American, or some mixed form) could have preserved the prewar system to the present day, he is probably wrong. If he means that a reform of the type which occurred (aimed at approximating the American system of family farms, and essentially confiscating the landlord's interests) was in any sense inevitable, he is almost certainly wrong.

3. Left-wing opposition to the land reform on technical-cum-ideological grounds is left out of account in Parts II and III. It may be fair to say that at least for a time the majority of Japan's agricultural economists felt the reform to be a mistake from the viewpoint of agricultural productivity and would have preferred "voluntary" collectivization on the

Soviet model. It is also true that in some sections the Left did its best to sabotage land purchases by the peasantry, spreading lurid forecasts of future agricultural taxes. It may also be true that rural conservatism, the mass base for Japan's Government parties since 1948, is prompted by fear of collectivization despite the Left's subsequent soft-peddling of the issue. This reviewer would have liked to hear more on all these points.

4. One cannot help feeling that Dore's fear for the Japanese farmers' economic future (Part III) is to some extent exaggerated. True, the Japanese farmer needs government support to retain his post-reform living standard in the face of rising world agricultural output and a rising Japanese working-age population. It is, however, equally true that any democratic Japanese Government (particularly a Conservative one) needs the farm vote to stay in power. Furthermore, as Dore himself shows in Part V, the old pattern of automatic bloc voting by meaningless slogans and petty bribes is on the way out.

5. Of the six Japanese village communities which Dore studied, five are on Honshu and one on Shikoku (see map, p. 475). The two studied most intensively are both on Honshu, one in Yamagata and the other in Yamanashi Prefecture. It would have been interesting to include some representation from Hokkaido, the northern frontier, where farms are larger, population sparser, American influence stronger—and Socialists in control of the local governments!

6. Dore's constant citation of the Japanese sources is a welcome change from the conventional near-limitation to the foreign-language literature. At the same time he carries this feature to extremes. It would surely have been more helpful to cite simultaneously the English versions when, as is often the case with official documents, official translations have been published and are available more readily to Western students. With the *Economic Surveys* of the Japanese Economic Planning Agency at hand in English in Western libraries, why refer us exclusively to Keizai-Kikaku-chō, *Keizai Hakusho*?

M. BRONFENBRENNER

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The San Francisco Bay Area. By Mel Scott. Berkeley, California: University of California Press, 1959, pp. 309.

A recent issue of a national magazine commented on the really notable cities of the United States, as they might be so judged by a sophisticated traveler from another continent. The criterion, and this will not seem strange to the sophisticated traveler from this continent, was the quality of food and restaurants. The writer found only five cities in this country that meet the criterion: New York, Boston, Baltimore, New Orleans and San Francisco!

The San Francisco Bay Area—the outlander is apt to think of it as “San Francisco”—is clearly one of the great cities of the nation. In fact, if you extend your criteria of judgment beyond the quality of the food, important as that may be, you come up with the suspicion that the Bay area metropolis is one of the two proudest urban developments of this nation, the other being New York.

And when you give thought to the future of the world, particularly to the awakening giants of the East, China and India and the probable effect of their awakening on the Bay Area metropolis, you see the San Francisco Bay Area as one of the truly great cities of the world.

There is a temptation to find many parallels and to make one-to-one comparison of the Bay Area with New York, both seacoast cities with matchless harbors—San Francisco itself with Manhattan, the East Bay with Brooklyn and the Long Island development, the North Bay with Westchester County and Connecticut, the Peninsula with New Jersey.

The Bay Area presents a serious problem to anyone involved in trying to help allocate our scanty resources of trained professional planners. I believe that if they had their druthers, half the planners in the United States would immediately relocate in the Bay Area. And Mr. Scott's remarkable book will not improve that situation. In spite of the continuous back-and-forth struggle among the Bay Area cities since the very beginning, or perhaps because of it, the region is still the most interesting, exciting, and attractive urban area in the United States.

Settlement of the Bay Area is almost exactly the same age as American independence. On August 5, 1775, the first vessel ever to enter San Francisco Bay sailed through the Golden Gate. On March 10, 1776, a band of two hundred and forty Spanish colonists arrived in Monterey. They were brought in to build and settle the village of San Francisco. On November 29, 1777, the Pueblo de San Jose was established.

This volume is a chronicle of the struggles, the successes, the failures, as the citizens developed a great metropolis. It is related from the point of view of a planner, an urbanist. The emphasis is on physical and economic growth, on streets, bridges, transit, harbors, housing, industry, population—and especially on the efforts toward planning and coordinating that development. One of the most interesting sections is the story of the genesis and preparation of the Burnham Plan for San Francisco, presented to the Board of Supervisors on September 27, 1905. In planning literature, the San Francisco Plan has been overshadowed, undeservedly, by the better known Burnham Plan for Chicago, which was finished four years later.

It is not possible to give a very meaningful synopsis of the *San Francisco Bay Area*, since it is primarily a continuous historical narrative. It is well written and contains an unbelievable amount of detail without becoming at all ponderous. It has to be read to be appreciated.

In the final chapter Mr. Scott discusses the outlook for, and pleads for, metropolitan regional planning. He is less than hopeful for spectacular success for metropolitan planning without metropolitan government. He believes, nevertheless, that it should be attempted. He points out a particular source of power in the proliferation of citizens' organizations and the possibility of widespread education on metropolitan problems through the organization of a council of such groups. He finds encouragement in the official efforts and organizations already operating in the fields of air and water pollution, parks, and rapid transit.

Finally Mr. Scott foresees, and I agree, a continuous urban development completely encircling the Bay and “a world metropolis in every sense of the word, composed of people from all nations linked by transportation and communication to other world centers, nur-

tured in its daily life by raw materials, manufactured goods, and cultural exchanges from every corner of the globe."

And then he poses the question: "Because the San Francisco Bay Area has been more generously endowed with natural beauty than most of the large urban areas of the world, its residents have an especially weighty stewardship to discharge. Not for ourselves and our own posterity but for the global community should we strive to safeguard the beauties of this magnificent combination of bays and islands, mountains and valleys—and to enhance the heritage received from nature by skillfully wedding the structures and roadways of the evolving regional metropolis to the physical environment. To achieve so lofty a goal we must do no less than first perceive new obligations of the individual to

society, fashion new laws for controlling individual action in the interest of the entire community, devise a workable system of metropolitan government, and weld into a new creative force the talent of all those concerned with metropolitan regional development—elected officials, businessmen, industrialists, and their employees, members of the professions, and workers in the many governments of the San Francisco Bay Area. Are we equal to the challenge?"

As one U. S. citizen, who probably will never live in the Bay Area, I sincerely hope the question will be answered in the affirmative.

DENNIS O'HARROW

*Executive Director,
American Society of Planning Officials*

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